

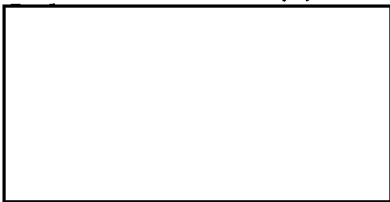
GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.
Meeting of the Board of Directors
10 February 1977

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 10 February 1977 at 10:00 a.m. in Room 5 E 62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman

STATINTL



Officers

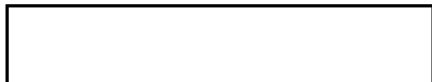
STATINTL



sident
., Vice President
ecretary
Treasurer

Advisors

STATINTL



Medical Advisor
Legal Advisor

Visitor

STATINTL



Absent were:

STATINTL



, Director

The President called the meeting to order, and the newly elected Directors were introduced and welcomed.

STATINTL The Board's first order of business was to elect a
Chairman. [] nominated Mr. F. W. M. Janney, current
Chairman, to continue as Chairman of the Board of Directors
STATINTL of GEHA; [] seconded the nomination, and Mr. Janney
was unanimously elected.

STATINTL The Chairman then passed out a list of current GEHA
Officers with the recommendation that the same slate be
reappointed, with the exception of [], who STATINTL
will be retiring at the end of February, and with the addi-
tion of one cashier, [] moved that the STATINTL
following employees be appointed to their respective posts
for 1977; [] seconded the motion, which was unani-
STATINTL mously approved:

President
Treasurer
Secretary
Assistant Secretary
Assistant Secretary
Cashier
Cashier
Cashier
Cashier



STATINTL

STATINTL In order to fill the Vice Presidential vacancy, it was
suggested that [] replacement, [] be STATINTL
appointed since he will have the same line authority over STATINTL
the insurance program. [] then moved that [] STATINTL
STATINTL [] be appointed as Vice President of GEHA; []
STATINTL seconded the motion, which was unanimously passed.
STATINTL

STATINTL In closing the meeting, [] asked that []
brief new Board members soon on GEHA matters. []
STATINTL

also informed those present of two forthcoming meetings: one in March or April when GEHA's Securities Advisor, Mr. Hurford of BEA Associates, will give a report; and another, in late spring, when the Board will discuss any proposed benefit changes or premium changes in the 1978 health benefits program.

There being no further business, the meeting was adjourned at 10:10 a.m.

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.
Meeting of the Board of Directors
18 April 1977

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 18 April 1977 at 10:00 a.m. in Room 5 E 62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman

STATINTL

Officers

STATINTL

President
President
Treasurer
Secretary

Advisors

STATINTL

Medical Advisor
Legal Advisor

Visitor

STATINTL

Absent were:

STATINTL

Director
Director
Director

After calling the meeting to order, the President requested the Board's consideration of proposed benefit changes in the Association Benefit Plan for calendar year 1978, which must be submitted to the Civil Service Commission no later than 30 April 1977. Proposed rate changes will be discussed at a later meeting, he said, and these are due to the Commission by 31 July.

~~Administrative - Internal Use Only~~

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[] then outlined each of the changes, as shown in the attachments to these minutes, recommending the adoption of items 1, 2, 3, 4C and 5. He recommended disapproval of item 6, paying up to \$50 per person per calendar year for one routine physical examination. He said that if this latter benefit were approved, the bi-weekly rate for Self and Family enrollment would increase \$2.36; the added benefit would largely finance persons with large families; and other enrollees might be encouraged to leave the Plan because of the sharply increased premium. He said approval of the remaining benefits would represent only a modest increase in premium and that the few cents involved may not have to be passed on to the employee.

STATINTL

After a short discussion, [] moved that benefits 1, 2, 3, 4C and 5 on the attachment be adopted; [] seconded the motion, which was unanimously approved.

STATINTL

Board members then agreed to holding a meeting in late June for the purpose of receiving a briefing from Mr. Hurford of BEA Associates on the quarterly status of the GEHA portfolio.

STATINTL

[] announced that he and the Chairman have approved 29 applications from foreign nationals for the Contract Health Insurance Plan and that almost all were [] employees.

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He further reported that the UBLIC plan had suffered 11 deaths since 1 January 1977, representing \$154,425 in claims. He added, however, that UBLIC is still ahead by \$158,000, premiums over claims.

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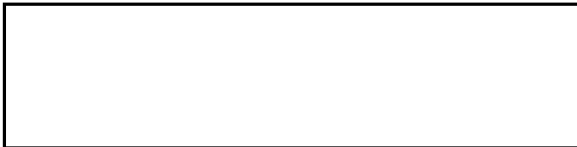
As the final item of business, [] said that with respect to UBLIC and the Contract Life Insurance Plan, consideration should be given to changing the current policy whereby new employees are allowed to enroll in the plans within the first 60 days of their employment without providing a health statement. He went on to say that with the current Government policy of hiring the handicapped--even cancer cases--these plans are therefore accepting

~~Administrative - Internal Use Only~~

enrollments from persons with possible terminal illnesses who are not required to submit health statements. Such a practice leaves the plans unprotected. He added that most life insurance plans now require a health statement from employees at the time of application. [] then moved that all applications for enrollment in UBLIC and the Contract Life Insurance Plan be accompanied by a health statement, such policy to be effective on the first day of the new contract year (UBLIC on 1 August 1977 and the Contract Life Insurance Plan on 1 May 1977); [] seconded the motion, which was unanimously approved. STATINTL STATINTL

There being no further business, the meeting was adjourned at 10:25 a.m.

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Attachments

Proposed benefit changes in the
Association Benefit Plan for 1978

- 1) To pay maternity the same as any other illness or injury.

Self \$.01 Self & Family \$.02

- 2) To eliminate the carryover deductible from major medical.

No rate applicable

- 3) Anesthesia - Pay up to \$50 or 30% of the amount payable for the surgery performed.

Self \$.01 Self & Family \$.03

- 4) Increase hospital outpatient from \$250 to:

- A) \$300 per person per calendar year.

Self \$.02 Self & Family \$.07

- B) \$350 per person per calendar year.

Self \$.04 Self & Family \$.11

- C) \$400 per person per calendar year.

Self \$.05 Self & Family \$.13

- 5) As a benefit separate from #4, pay 100% of outpatient hospital charges for services and supplies rendered at the time of a surgical operation not requiring hospitalization as an inpatient.

No Charge

- 6) Pay up to \$50 per person per calendar year for one routine physical examination.

Self \$.66 Self & Family \$2.36

The Officers of GEHA recommend: 1, 2, 3, 4C, and 5.

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.
Meeting of the Board of Directors
21 July 1977

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 21 July 1977 at 2:00 p. m. in Room 5 E 62, Headquarters. Those present were:

Directors

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Officers

STATINTL



President
Vice President
Treasurer
Acting Secretary

Advisors

STATINTL



Medical Advisor

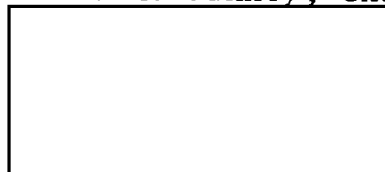
Visitor

John B. Hurford, Vice President,
B. E. A. Associates

Absent were:

F. W. M. Janney, Chairman

STATINTL



, Director
Jr., Director
Director
Secretary
Legal Advisor

After convening the meeting, the President informed those present that the Civil Service Commission had recently approved GEHA's proposed benefit changes in the Association Benefit Plan for calendar year 1978 and that proposed rates are due at the Commission by 31 July 1977. Concerning the rates,

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[] said a meeting had been held with the underwriter and it was determined that a rate increase would not be necessary in 1978 due to the Plan's favorable experience. In fact, he said, GEHA could expect to have a large year-end reserve of approximately \$3 million. The underwriter has, for the second straight year, agreed to absorb the cost of the changes in benefits, which will amount to about \$70,000 to \$75,000 annually. [] expressed his pleasure at the ability of the Association Benefit Plan to keep its premiums down while the rates of other plans are continuing to rise at a rapid rate due to the increased costs of health care.

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Next on the agenda, the Board welcomed GEHA's securities advisor, Mr. John B. Hurford, to the meeting. [] said it was GEHA's hope to realize a \$250,000 return of premium (UBLIC) which could be turned over to BEA Associates within 45 days after the end of the contract year. Mr. Hurford was then given the floor for presentation of a status report on the GEHA portfolio as of 30 June 1977. He distributed handouts to those present and reported there had been no major change in the portfolio since his last presentation in April. Approximately 12% of the account is in cash and cash equivalents; 78% in securities, with 7% in convertibles; and the remaining 10% in common stocks. The overall yield is 7.1% and the market value as of 30 June was approximately \$2.8 million. In summing up this portion of his presentation, he said that all components of the account are doing well; the portfolio is producing \$200,000 per year in income; and the total account is up about 14% from June 1976 to June 1977 (the first full year that GEHA has used an outside securities advisor).

Mr. Hurford then gave an appraisal of the bond and stock markets which he supported with numerous graphs. He reported there is a yield spread favoring bonds and that the bond market is reasonably attractive. BEA is monitoring this situation. With an expected rise in interest rates and a modest deflationary trend developing, he said GEHA will want to weight the account in long-term bonds. In closing, Mr. Hurford said there are unrealized gains in every section of the

portfolio and that only two securities have not shown profits. The Board thanked Mr. Hurford for his detailed report.

There being no further business, the meeting was adjourned at 2:40 p. m.

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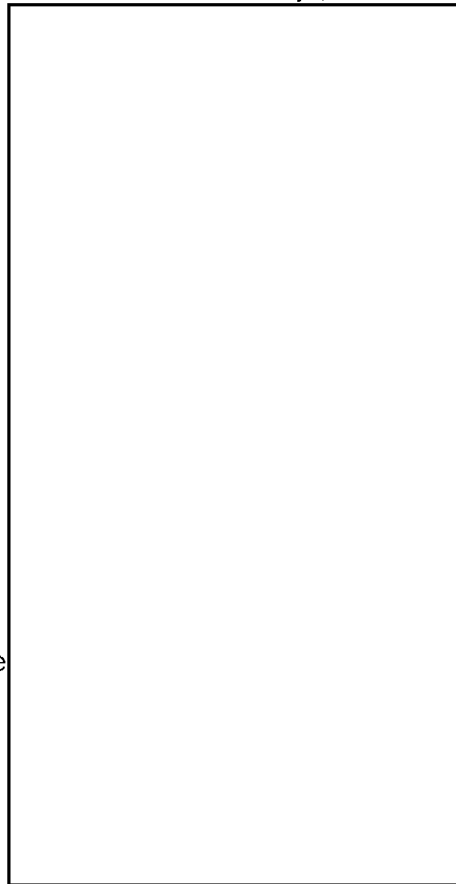
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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.
Meeting of the Board of Directors
20 December 1977

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 20 December 1977 at 10:00 a. m. in Room 5E-62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman



Secretary

Advisor

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Director
or
cal Advisor
ident

After convening the meeting and introducing [redacted] [redacted] a new Director, the President reviewed the current Insurance Branch backlog of claims of four weeks, the increasing complexity and numbers of claims, increased enrollment in the plan and the resultant need for additional full-time, reimbursable employees. [redacted] advised the board

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25X1

25X1

25X1

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25X1 that there are [] Insurance Branch positions. [] of 25X1
25X1 these positions are reimbursable (salary and benefits) and
[] are paid for by the Agency. Of the [] positions, [] are 25X1
funded by a return to the Agency of 2 1/2% of the Association 25X1
Benefit Plan's premiums. [] advised that by the end
of 1977 the Association Benefit Plan projects a reserve fund
of \$290,000 which is approved by the Civil Service Commission
for payment of administrative expenses and which is available
for payment of salaries for the proposed new employees.
25X1 [] said that up to 5 new full-time claims settlement
personnel and 2 clerical support personnel may be needed to
effectively deal with the Insurance Branch backlog and
increasing claims work load. After a brief discussion on
space and salary expenses for new employees, [] moved 25X1
25X1 that [] be authorized to hire additional reimbursable
25X1 employees; [] seconded the motion, which was unanimously
approved.

As a second order of business, [] briefed the 25X1
Board on UBLIC and the eligibility requirements for carrying
UBLIC into retirement. He provided a brief history of a
1973 action by the Board of Directors which approved a tem-
porary suspension of the ten year requirement for carrying
this insurance into retirement. [] requested that 25X1
consideration now be given to employees retiring in the DDO
as not all of these employees will have met their ten year
UBLIC requirement prior to retiring. He suggested that the
Board approve a change in UBLIC policy so that it will not be
necessary to have 10 years of UBLIC coverage prior to retire-
ment in order to continue coverage into retirement. Under his
proposal, insurance coverage and employee premium payment will
continue after retirement until age 60. At age 60 each
employee's case would be reviewed and if they meet the 10
year requirement, continuation of UBLIC (in accordance with
UBLIC retiree provisions) will be authorized. Coverage will
be discontinued for those who do not meet the ten year require-
ment by age 60. It was further suggested that this policy be
retroactive to 1 August 1976 to include those employees who
did not qualify for continued UBLIC coverage at the time of
their retirement. [] moved to adopt this new UBLIC
policy; Mr. Janney seconded the motion, which was unanimously
approved. (The Board Members were in unanimous agreement that
this change would require payment of retroactive premiums and
in no event would retroactive coverage be granted to an al-
ready deceased member or dependent.)

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25X1

The final order of business was the appointment of
Investment Committee.



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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

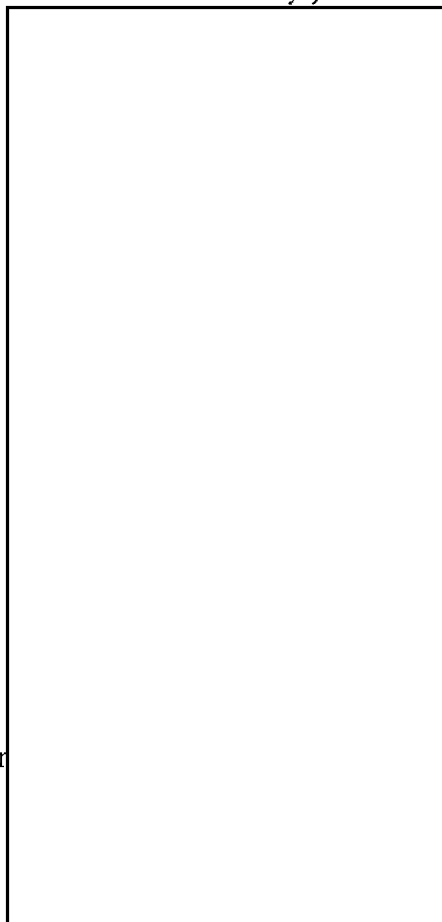
Meeting of the Board of Directors

20 April 1978

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 20 April 1978 at 10:00 a. m. in Room 5E-62 Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman



ident
, Secretary

Medical Advisor
Legal Advisor

Absen

ector
urer
, Director

After calling the meeting to order, the President requested the Board's consideration of the election of Officers for 1978. [redacted] moved to elect the proposed slate of officers submitted as an attachment to the agenda. [redacted] seconded the motion, which was unanimously approved. A listing of GEHA Officers for 1978 is attached.

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25X1 The President requested the Board's consideration of proposed benefit changes in the Association Benefit Plan (ABP) for calendar year 1979, which must be submitted to the Civil Service Commission by 30 April 1978. [redacted] advised that proposed rate changes, which must be submitted to the Commission by 31 July, will be discussed at a future meeting. [redacted] then outlined and explained each proposed benefit change as shown in items 1 through 8 on the attachment to the agenda. He explained that the proposed changes are considered to be perfecting changes and that they serve to combat rising medical charges and to keep the ABP competitive with other Federal health plans.

25X1 [redacted] recommended that the Board approve items 1c through 8 and he pointed out that the biweekly premium rate increase for these benefits for Self Only and Self and Family coverage would be \$.20 and \$.53 respectively. This represents only a modest increase in premiums and depending on our plan's 1978 experience, this increase may not have to be passed on to policyholders.

After a short discussion, [redacted] moved that benefits 1c, through 8 be adopted. [redacted] seconded the motion, which was unanimously approved. A listing of Benefit changes for 1979 is attached.

The meeting was adjourned at 10:20 a. m.



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ASSOCIATION BENEFIT PLAN

PROPOSED BENEFIT CHANGES FOR 1979

BIWEEKLY COST TO POLICYHOLDER

SELF ONLY SELF & FAMILY

- | | | |
|--|-----------|-----------|
| 1. To increase the basic \$100 benefit for Out-of-Hospital X-ray and Lab to \$400 per person per calendar year. | \$.06 | \$.15 |
| 2. To cover (under the \$400 per person per calendar year hospital outpatient basic benefit) non-surgical charges by physicians for emergency room treatment when billed separately from hospital charges. | No charge | \$.01 |
| 3. To cover under Basic Surgical Benefits, charges by a Podiatrist for the removal of plantar warts by Chemosurgery, Electrosurgery, or cryotherapy. | No charge | No charge |
| 4. To increase basic benefits for private ambulance service from \$25 to \$50. | \$.02 | \$.03 |
| 5. To increase the basic benefit for physicians medical visit unrelated to surgery while confined in a hospital from \$10 to \$20. | \$.10 | \$.30 |
| 6. To cover amniocentesis and related tests on the unborn child. | No charge | No charge |
| 7. To cover as a basic benefit the initial reconstruction of the breast following a mastectomy. | \$.01 | \$.02 |
| 8. To cover up to 30 visits per person per calendar year for the services of a psychiatric social worker under the direct supervision of a psychiatrist. | \$.01 | \$.02 |

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.
Meeting of the Board of Directors
20 July 1978

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 20 July 1978 at 2:00 p. m. in Room 5E-62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman



ident
urer
Secretary

Absent

Director
or
ector (C)
, Director
Medical Advisor
egal Advisor

After calling the meeting to order, the Chairman turned the meeting over to [redacted] for a discussion of 1979 premium rates for the Association Benefit Plan. [redacted] advised the Board that we must submit our premium rate proposals to the Civil Service Commission by 31 July 1978. He also advised that he had recently met with the Underwriter of our

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- 2 -

plan to review our 1978 experience and projected premium rates for 1979. As a result of this meeting and in spite of underwriter projections in 1977 that our premium to claims ratio for 1978 would be satisfactory, based on the first six months experience of 1978 the ABP will have a projected deficit of approximately \$3 million by the end of the 1978 contract year. As a partial offset to this projected negative experience our plan credited the \$1.7 million reserve carryover from 1977 to this 1978 figure. However, the difference of approximately \$1.3 million liability is carried into the 1979 contract year. Added to this is a projected increase in claims for 1979. Therefore, a 36.6% increase in the ABP premium for 1979 is required.

25X1

[redacted] pointed out that the deficit for 1979 is considerably reduced by our request for a \$1.8 million payment to the underwriter from the Civil Service Commissions contingency reserve fund. He commented that although the requested increase in premium for 1979 is significant, it follows 3 years in which the net-to-carrier rates were held at a constant and two successive years of reductions in policyholder contributions.

Several Board members had questions and after discussion concerning underwriter cost projections, claims experience, hospital and medical expense increases and actions to be taken to advise policyholders of the projected increase,

25X1

[redacted] moved that the Board submit a request for a rate increase for the ABP to the Civil Service Commission for 1979.

25X1

[redacted] seconded the motion, which was unanimously approved.

25X1

25X1

The final item of business was the appointment of [redacted] as Assistant GEHA Secretary. [redacted] moved to accept his appointment. [redacted] seconded the motion, which was unanimously approved.

25X1

The meeting was adjourned at 2:25 p. m.

25X1



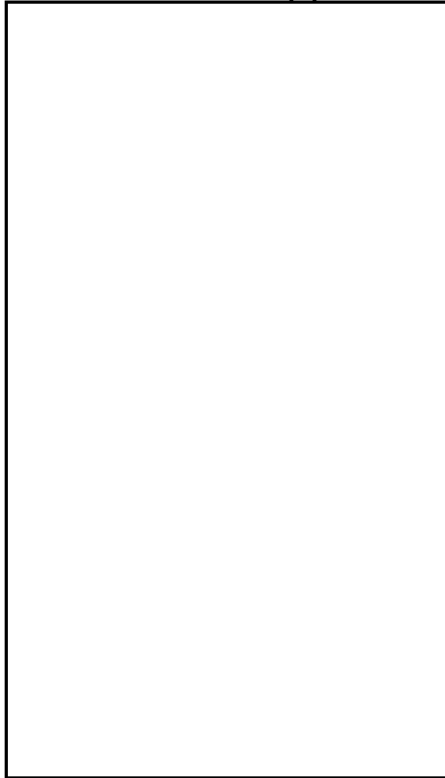
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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.
Meeting of the Board of Directors
14 September 1978

A special meeting of the Board of Directors of the Government Employees Health Association, Inc. was held on 14 September 1978 at 10:00 a.m. in Room 5E-62, Headquarters. Those present were:

Directors

F. W. M. Janney, Chairman



dent
r
Secretary

Medical Advisor

Benefits and Services Division
resident, BEA Associates, Inc.
istant Secretary
nsurance Branch
cording Secretary

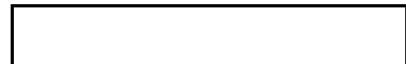
Absent were:



, Director
irector
ector (C)
Legal Advisor

The Chairman called the meeting to order and announced that the first order of business was the appointment of a nominating committee to provide names for the GEHA Board of Directors election to be held in January 1979. Messrs. [redacted]

[redacted] were appointed to the committee. Each committee member, e [redacted] was requested to nominate three candidates. [redacted] identify two candidates.



25X1 As the second and primary order of business, the Chairman welcomed Mr. John B. Hurford to the meeting. Mr. Hurford is Vice President of BEA Associates, Inc., Manager of the GEHA investment portfolio. Mr. Hurford gave the Board summary sheets which provided a review of the GEHA portfolio. He discussed the Board's investment objectives of stability/income and advised members that as of 31 August 1978 the market value of the portfolio was \$3,030,458.00. Mr. Hurford also discussed the generation of income from the portfolio. Board Members agreed with [] that investment income should be reinvested at the earliest opportunity. Mr. Hurford explained the GEHA portfolio cash reserves, U. S. Government bonds and common stocks. He provided an extensive performance evaluation of GEHA's portfolio with other major funds that have comparable objectives and with funds with a wider spectrum of investment objectives. Throughout his presentation Mr. Hurford answered questions from Board Members.

Following a discussion of GEHA's cash and cash equivalent holdings, it was decided Mr. Hurford could also invest these holdings. This decision was based on Mr. Hurford's advice that various portions of the portfolio are very liquid and can provide GEHA with cash on short notice.

25X1 [] advised Mr. Hurford that the Board would make \$196,000 available to him for additional GEHA investment. These monies represent the 1978 refund of premium from the UBLIC and Contract Life insurance plans.

There was discussion of GEHA's objectives and whether they represent a burden and secondly, in light of what Mr. Hurford predicts for the future, should they be reconsidered? Consideration was given to increasing the percentage of portfolio equities. However, the Board decided not to alter the original objectives or change the mix of equities and securities.

25X1 The meeting was adjourned at 10:40 a.m.

[]

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

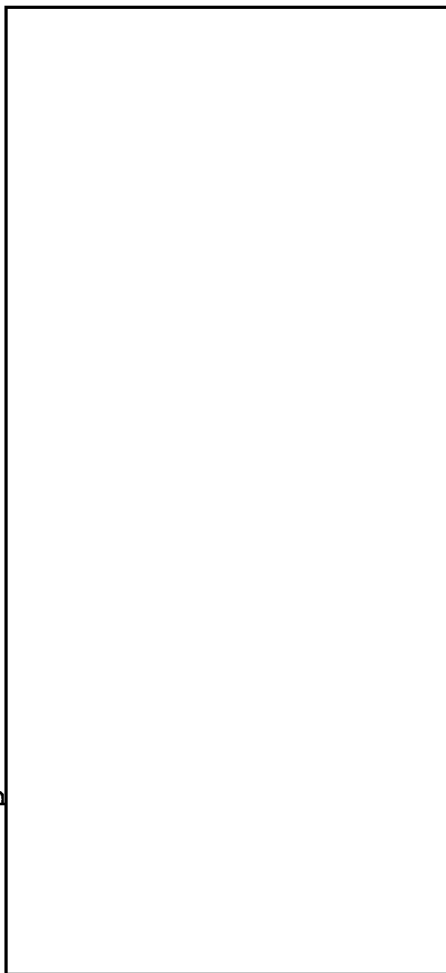
29 March 1979

(1st Meeting 1979)

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 29 March 1979 at 2:00 p.m. in Room 5E-62 Headquarters. Those present were:

Directors

25X1



rman

President
rer
Secretary

Advisor

istant Secretary
istant Secretary

Absen

tor
r
edical Advisor

The President called the meeting to order. His purpose in convening this special organizational meeting was to introduce new 1979/80 Board of Director members, seven of nine members being elected for the first time to GEHA; to elect GEHA officers and appoint legal and medical advisors to the Board of Directors.

25X1

WARNING NOTICE
INTELLIGENCE SOURCES
AND METHODS INVOLVED



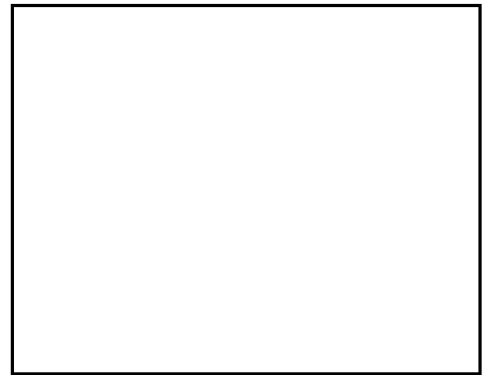
25X1 [] also outlined Board member responsibilities and alerted members to two important meetings in late April and July 1979. These meetings will concern new Association Benefit Plan health insurance benefits and premium rates for the 1980 contract year. 25X1 [] solicited Board members ideas and ultimately decided on a special GEHA background and information slide show and briefing meeting for members, also to be held in April. In support of this meeting the Secretary was asked to provide material to Board members.

25X1 The Board's first order of business was to elect a Chairman. [] nominated [] as GEHA Chairman 25X1 of the Board of Directors for 1979. This nomination was seconded by [] was unanimously elected. 25X1 At this point [] assumed control of the meeting.

25X1 The Chairman then read the slate of GEHA officers for 1979. [] moved to accept the slate as read. The motion was 25X1 seconded by [] and was unanimously approved.

1979 GEHA OFFICERS

President
Vice President
Treasurer
Secretary
Asst. Secretary
Asst. Secretary
Asst. Secretary
Cashier
Cashier
Medical Advisor
Legal Advisor



25X1 The Chairman provided a brief overview of GEHA investments and asked for nominations for the investment committee. He advised that historically GEHA had four members serve as the Investment Committee and that only two members [] 25X1

[] were returning to the 1979/80 Board of Directors. This generated much discussion as to the need for a 4 member committee or a committee of the whole, and whether or not to appoint committee members until the current GEHA audit report is received and the investment portfolio performance evaluated. In view of

the impending audit wrap up, the decision was made by the Chairman to hold the selection of investment committee members in abeyance.

25X1 [redacted] raised a question concerning GEHA Board of
Director members liability and asked if members were bonded.
25X1 [redacted] responded that all members and officers are bonded.
25X1 Legal advisor, [redacted] was asked to prepare a paper on
Board member legal responsibilities.

25X1 [redacted] both raised questions
concerning cancer insurance coverage. [redacted] provided
background on why GEHA does not offer this as an individual
25X1 policy. He also briefly discussed the Association's Specified
Dread Disease Plan and [redacted] outlined its basic provisions.
25X1 There was much discussion over this point and a question raised
by [redacted] concerning the Association's health
insurance claims backlog. [redacted] advised members that for
the past year the claims backlog has been steadily reduced from
six or more weeks to the point that it now stands at only seven
days. He advised that this rate of adjudication is more competi-
tive than most other Federally sponsored plans. There was no
further discussion.

The meeting was adjourned at 2:35 p.m.

25X1 [redacted]
[redacted] tary

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

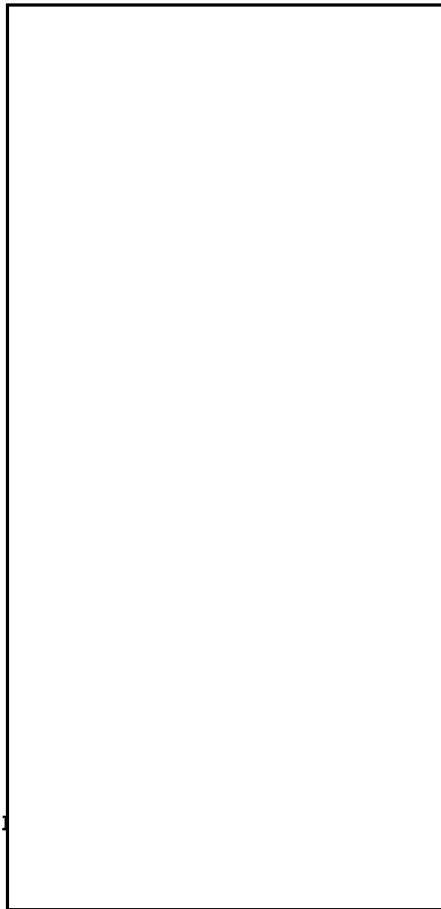
Meeting of the Board of Directors

12 April 1979

(2nd Meeting 1979)

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 12 April 1979 at 10:00 a.m. in Room 5E-62 Headquarters. Those present were:

Directors



President
Treasurer
, Secretary

Medical Advisor

Chief of General Counsel
Benefits & Services Division
Assistant Secretary

Absent

Chairman/Director

Bruce T. Johnson, Director

In the absence of the Chairman, [redacted] opened the meeting. He first called on [redacted], Office of General Counsel guest, who was attending the meeting in the place of GEHA Legal Advisor, [redacted] advised the Board that his office had not yet completed the review of Board of Director member liability. Several Board of Director members had questioned [redacted] about each members liability at the 29 March 1979 meeting.

WARNING NOTICE
INTELLIGENCE SOURCES

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25X1 As a result, Chairman [] requested Gary prepare a paper on this subject for Board members. [] advised members that he would provide a verbal run down on this subject at the April meeting.

25X1

25X1 [] then moved to the primary order of business, a briefing on GEHA's responsibilities and programs. He spoke briefly of GEHA's annual meeting in January of each year, the make up of Board membership and the fact that unlike many other boards, many employees seek out GEHA Board members to present their insurance problems and ideas. [] presented slides with his narrative and answered questions as they arose. He pointed out that GEHA was established as a non-profit corporation in 1947 and that it has grown to encompass [] of which are reimbursable to the Agency from GEHA funds. He also identified the ten GEHA insurance plans (Association Benefit Plan, Contract Health Insurance, FEGLI, UBLIC and WAEPA Life Insurances, Income Replacement, Dread Disease, Flight and Accident Plan, Air Trip and Military Air Trip Insurance) and explained the levels of coverage and special provisions of each plan. He explained that GEHA offers insurances which provide protection against catastrophic losses and that these plans are not meant to be all encompassing, but rather a supplement to basic or private coverages. This generated several questions from Board members concerning the different life insurances, their active employee and retiree benefits.

25X1

25X1

The various slides on GEHA insurances depicted the amount of insurance in force for active employees and retirees, number of participants and dollar amount of insurance benefits paid during 1978. Other slides revealed the level of participation in the Association Benefit Plan (ABP) and Contract Employee Health Plan and the 13 million dollars of benefits paid to policyholders of the two plans in 1978. Other slides provided a six year comparison of ABP premium rates for self only and self and family coverage with the rates of two other major Federal health insurance plans - Blue Cross/Blue Shield and Aetna.

25X1 [] raised a question concerning the ABP premium rate increase for 1979. [] answered that there were several factors which impacted on the plan during 1978 and which culminated in a rate increase. Chief among these was the sharp increase in hospital and other medical costs during 1978 and the increased utilization of health benefits by members. This was

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evidenced by an increase of nearly 15,000 claims in 1978 over 1977. There followed several questions and a general discussion on rates, benefits and utilization trends. [] pointed out that the ABP had not increased the premium rate for several years and that it was reduced in 1978 because of an increase in the government's contribution to Federal health plans. There were additional questions and discussions concerning the health insurance trust liability retained by the Office of Personnel Management (OPM) and a comparison of the experience rate between the ABP and Contract Employee Health Plan.

25X1

[] advised the Board that our Mutual of Omaha underwriter would be sending senior representatives to Washington in July 1979 to provide us with their actuarial study experience and rate projections for the 1980 contract year. Once we have their projections the Board will meet to review and discuss the rates before submitting them to OPM for rate approval for 1980.

[] about the age 22 cut off of Federal health insurance benefits for dependents. He was concerned that more and more dependent children are still in school or at home at age 22 and therefore, frequently not able to get reasonably priced or comprehensive health insurance. [] responded that the 22 year old dependent cut off was a statutory limitation imposed by Congress and that while we could alert OPM to our concern with this restriction, it would require a ground swell of interest by large employee unions and most participating Federal plans to effect such a change. Additionally, he felt that at the present time we may be experiencing a period of legislative environment against expansion of benefits and the resulting higher premiums.

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Before adjourning the meeting, [] advised the Board that a meeting would be scheduled for 24 April to review new benefits and their cost and impact on the Association Benefit Plan for the 1980 contract year. He indicated that the Insurance Branch had submitted several proposals to the underwriter for cost figures and that this information will be presented to the Board for a final determination.

25X1

[] raised a concern involving the frequent use of hospital emergency rooms, which pay first dollar benefits up to a maximum of \$400 per person per calendar year, in lieu of a family physician. This generated a great deal of discussion and

agreement that while many members do use hospital emergency room facilities for other than real emergencies, a lack of meaningful statistics makes it impossible to determine the extent to which this may be defined as an abuse of the benefit. The Insurance Branch will review available statistics to determine if any abuse patterns are evident. There was no further discussion.

The meeting was adjourned at 11:15 a.m.

25X1



GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

24 April 1979

(3rd Meeting 1979)

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 24 April 1979 at 10:00 a.m. in Room 5E-62 Headquarters. Those present were:

Directors

Chairman

Bruce T. Johnson

President
Treasurer
Secretary

Branch
Benefits & Services Division
Training Secretary
of General Counsel
Assistant Secretary

Abse

al Advisor
Medical Advisor
ector

Chairman [redacted] opened the meeting by advising the Board that the primary order of business would be the discussion and approval of new or amended health insurance benefits for

NOTICE
INTELLIGENCE SOURCES
AND METHODS INVOLVED

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the Association Benefit Plan (ABP) for the 1980 contract year. He then turned the meeting over to [] for a discussion of the proposed changes. [] reminded the Board that this benefits meeting was the first of two such meetings and that the second meeting will be necessary to rule on Mutual of Omaha's premium rate recommendation for the ABP and will take place in mid-July 1979. He also outlined the procedure used each year, whereby the Board determines health insurance benefits for the next contract year and submits them to the Office of Personnel Management for final approval and inclusion in the contract between GEHA and OPM. The 1980 rate proposals will be based on the first five months of ABP's experience and actuarial projections for the remainder of the contract year. [] indicated that if the Mutual premium proposal recommends a rate increase, the GEHA Board of Directors could consider reducing the impact of such a proposal by recommending the withdrawal of benefits proposed at today's meeting. 25X1 25X1 25X1

25X1 [] advised the Board that members of the Insurance Branch have been working on a series of perfecting benefit changes for the ABP. These changes are based on both policyholder and Branch claims adjudicator's recommendations, comparison of benefits offered by other major Federal health insurance plans, and recommendations by the Office of Personnel Management.

25X1 [] outlined and discussed the proposed ABP benefit changes for 1980. Where applicable, he compared these to the existing benefits and reviewed Mutual's bi-weekly cost figures. The attached chart reflects the existing 1979 ABP benefits, the proposals for 1980, and the projected bi-weekly premium charge for each benefit. This generated a great deal of discussion and questioning as comparisons were drawn with existing benefits, other Federal plans and premium rates for each benefit were reviewed and questioned.

With the exception of the three option proposal for treatment of alcoholism (only option d was approved), all proposed benefit changes affecting the administration of anesthetic, services of a psychiatric social worker, services of an occupational therapist, services of licensed practical nurses, and treatment of accidental injury to the jaw or teeth, were unanimously approved by the Board of Directors. The alcohol treatment proposals drew the most discussion, generating a number of questions on present coverage, Agency statistics, and alternative coverages. [] recalled how previous Boards had also reviewed this type of benefit but had not 25X1

approved changes because of the steep cost and the high level of inpatient hospitalization care available and covered by our plan. He also explained that in the past, certain expensive benefits such as maternity coverage, were approved in increments to preclude the plan from absorbing large premium increases at one time. Consequently, the Board agreed to recommend coverage for acute alcohol outpatient aftercare programs associated with alcoholic treatment programs. The Plan's experience and need for increased levels of coverage will be reviewed during each of the next few contract years.

25X1 [] introduced the second order of business by reminding the Board of the question they raised at the initial meeting concerning individual Board of Director's legal liability. 25X1
25X1 At that meeting, [] asked legal advisor [] 25X1
25X1 [] to prepare a paper in response to this question and to brief the Board at a future meeting. Although Gary was unable to attend the 24 April meeting, [] (OGC) did attend 25X1
25X1 and he provided the Board with a briefing on his findings to date. In summary, [] advised the Board they are held to a fiduciary duty of care in their various Board activities; that members must safeguard the collected monies, hold adequate reserves, insure that the Insurance Branch and Underwriter process claims in an orderly and responsible manner, and maintain a reasonable standard of care. He explained that the standard judicial formulation of a reasonable standard of care is considered to be what a reasonable, prudent person would do under similar circumstances with his or her own money or affairs with the information that is reasonably available to them at the time a decision was made. This generated discussion by members on bonding, personal liability, insurances, investment guarantees, and the government or corporate status of GEHA. [] also 25X1
25X1 confirmed that he would submit a paper on Board member responsibility to the Board in the near future. [] wrapped 25X1
25X1 this discussion up by recommending that after members have read the minutes and Bob's paper, other questions might occur and additional discussions can be held. [] raised the 25X1
25X1 question and there was a brief discussion of the recent hospitalization of a senior employee. This centered on questions pertaining to post-stroke intensive therapy and custodial or maintenance care. [] addressed these issues, explaining the differences between custodial care and treatment for illness or injury.

25X1 [] advised the Board that a number of people in his Directorate have talked with him regarding present insurance coverages and proposals for new coverages. Among the

25X1 recommendations he has received are benefits for dental care, eye glasses, physical examination, and special cancer coverage. [] spoke to each of these recommendations and provided the Board with information on past board deliberations on these issues. He also made clear that the Plan could offer a wide variety of special benefits but that the dollar cost associated with these and the current restrictive mood of the Office of Personnel Management on expanded benefits would impact heavily on such proposals. Further discussions ensued over GEHA's insurance philosophy, the need for expanded coverages, and the availability of other coverage through the private sector.

25X1 [] requested that the Insurance Branch provide members with the most recent breakdown of our Plan's hospitalization benefit payout.

There was no further business and [] adjourned the meeting at 11:10 a.m.

25X1



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PROPOSED BENEFIT CHANGES FOR THE ASSOCIATION BENEFIT PLAN FOR 1980 (BENEFIT PROPOSALS MUST BE SUBMITTED TO THE OFFICE OF PERSONNEL MANAGEMENT BY APRIL 30, 1979)		BIWEEKLY COST TO POLICYHOLDER SELF ONLY SELF & FAMILY		REMARKS
BASIC BENEFITS (pg. 10)	1. For administration of anesthetic the Plan pays up to \$50 or 30% of the amount payable for the operation performed, whichever is greater. PROPOSED: Increase from 30% to 40%.	\$.04	\$.12	
BASIC BENEFITS	2. Plan pays for the treatment of alcoholism in accredited hospitals as a basic benefit and for inpatient and outpatient charges of medical doctors, licensed clinical psychologists and prescription medicines under major medical benefits. PROPOSED: Provide coverage for state licensed alcoholic treatment centers: a) 30 days per lifetime or ... b) \$2,500 maximum per treatment (limit two treatments per lifetime) or ... c) \$2,500 maximum per treatment (limit three treatments per lifetime) or ... d) As a MAJOR MEDICAL benefit, provide coverage of up to \$150 for acute alcohol outpatient after-care programs associated with alcoholic treatment programs (limit two per lifetime).	\$.24 \$.37 \$.41 \$.02	\$.62 \$.93 \$ 1.02 \$.05	
MAJOR MEDICAL (pg. 13)	3. Plan pays for the services of a psychiatric social worker under the direct supervision of a psychiatrist and limited to 30 visits per person per calendar year. PROPOSED: Increase number of visits from 30 to unlimited.	\$.01	\$.02	
MAJOR MEDICAL BENEFITS (pg. 12)	4. Plan pays for services of a registered physical therapist for administration of physical therapy in accordance with a doctors specific instructions as to type, frequency and duration.			

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.


Meeting of the Board of Directors

17 July 1979

(4th Meeting 1979)

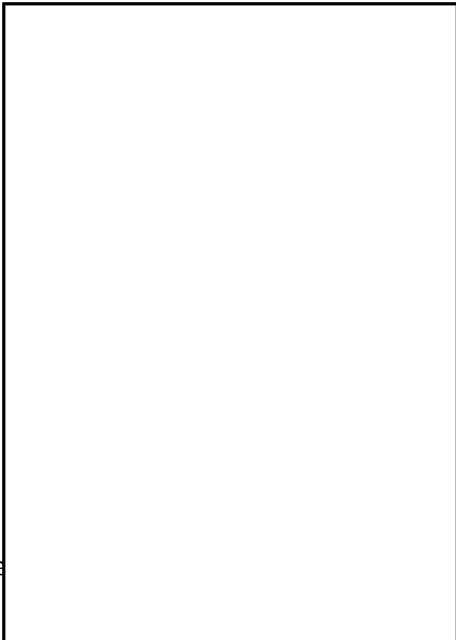
A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 17 July 1979 at 10:30 a.m. in Room 6E-13 Headquarters. Those present were:


Directors

25X1  Chairman
Bruce T. Johnson

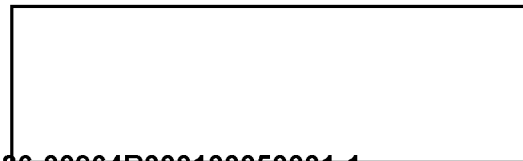
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Officers

25X1  President
Treasurer
Secretary
Advisor
Medical Advisor
Branch
Benefits & Services Division
ing Secretary
Assistant Secretary
Abse
Director

25X1 Chairman  opened the meeting by advising the Board that the order of business would be the discussion and

WARNING NOTICE
INTELLIGENCE SOURCES
AND METHODS INVOLVED



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approval of premium rates for the Association Benefit Plan (ABP) for the 1980 contract year. He then turned the meeting over to [] for a discussion of the proposed rates. []

[] advised the Board that he, GEHA Officers and members of the Insurance Branch had recently met with representatives of Mutual of Omaha to review projections of ABP premiums for 1980. He explained that the underwriter is not totally unilateral in the approach to benefit rate determinations and that they are subject to price guidelines issued by the Office of Personnel Management (OPM). He explained that to determine the claims experience for 1979 and to project ahead for 1980, the underwriter uses the first five months actual claims experience in 1979 and that based on these expenses they project the remaining seven months claims experience. This determines the total claims expenses for 1979 and provides a base for an actuarial projection of experience for 1980. As a result of this process, the underwriter estimates subscriptions and interest of \$16,966,000 and incurred claims and expenses of \$15,284,000 for 1979. This projects a positive difference of \$1,682,000 for the year. However, by a formula provided by OPM, the underwriter is expected to maintain a balance of five months average claims experience or approximately \$6,600,000. Toward this goal they expect to have on hand at year's end only a \$4,222,000 reserve. Even after this reserve is added to the \$1,682,000 residue for 1979, their five month claims balance is less than required. Consequently, this short fall, the expected rate of inflation and actuarial projections of health insurance experience in 1980 result in a loss of \$339,000 and the requirement for a premium rate increase for 1980. This projected premium increase for 1980 is necessary in spite of a projected \$358,000 payment to the underwriter from the OPM contingency reserve. As projected, the policyholder's biweekly portion of the Association Benefit Plan health insurance premium will increase approximately \$.66 (12%) for Self-Only and \$2.25 (11%) for Self-and-Family. []

[] explained that the projected biweekly premium increase is based on an expected increase in the Government's contribution for 1980 of 8%. In 1979 the Government's biweekly contribution was \$11.39 for Self-Only and \$27.52 for Self-and-Family. Therefore, with the expectation of an 8% increase for 1980, the Government contribution is expected to be \$12.30 and \$29.72 respectively. []

After a number of questions and discussions regarding the underwriter and OPM reserves, formulas, claims experience and premiums, [] alerted the Board to the potential for a counter proposal to OPM which could significantly reduce an ABP premium increase for 1980. He pointed out the large ABP premium

increase experienced in 1979 and recommended that the Board consider ameliorating the impact of an increase on our subscribers for 1980. To effect this he further recommended that consideration be given to requesting a larger payment from the OPM contingency reserve fund. However, he requested the Board exercise caution when requesting additional funds so that the reserve remains strong and our ability to call on it in future years not be jeopardized. []

[] advised the Board that after discussion with the underwriter and his staff, he recommended they consider requesting an increase in the 1980 contingency reserve payment from \$358,000 to \$749,000. Although the approval of this amount would not completely eliminate the premium increase for 1980, it would reduce the biweekly premium increase to approximately \$.22 (4%) for Self-Only and \$1.00 (5%) for Self-and-Family. This projection is based on the expected increase in the Government contribution of 8%. There followed discussion on inflation, the impact of the contingency reserve payment on the Plan's 1981 experience and the potential depletion of the reserve. [] advised that the reserve is automatically replenished by a portion of the premium payments each year and that for 1979 this amount is expected to be in excess of \$400,000. He projected the ABP contingency reserve to grow to \$2,400,000 by 31 December 1979. []

Members of the Board asked for a recap of the previously discussed figures and the projection of rates for 1980. The Board accepted the financial analysis of the underwriters and their conclusion as to the amount of additional income required.

[] then answered several questions regarding benefits, interest accumulation, and future costs and rate comparisons between two other large Federal Employee Health Benefit Plans. []

Following this discussion [] moved that the Board approve the recommendation to request an increase in the 1980 contingency reserve payment to the Association Benefit Plan from \$358,000 to \$749,000. [] seconded the motion, which was unanimously approved. []

There was no further business and the meeting was adjourned at 11:10 a.m. []

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

24 October 1979


(6th Meeting 1979)

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 24 October 1979 at 2:00 p.m. in Room 5E-62 Headquarters. Those present were:

Directors

25X1  Chairman

25X1 Bruce T. Johnson



Officers


25X1  President
Treasurer
Secretary

Legal Advisor
Medical Advisor

Finance Branch
SD

Absent

Director
(C)
Director
Director

25X1 Chairman  convened the special meeting at 2:00 p.m. indicating the primary order of business was to have Mr. John B. Hurford, Director and Vice President of BEA Associates, Inc., brief Board of Director members on the BEA history and organization and to review the GEHA investment portfolio.

25X1

WARNING NOTICE
INTELLIGENCE SOURCES
AND METHODS INVOLVED

At this point the meeting was turned over to Mr. Hurford. Mr. Hurford advised the Board that BEA was founded in the 1930's by Dr. Julian Gumperz, an economist, and that today BEA is one of the oldest existing management firms with more than \$1.6 billion in assets and 45 employees. Mr. Hurford said that roughly one half of BEA assets are invested in common stocks while the other half represents fixed income investments. He confirmed for Board members that the GEHA mix of invested assets is approximately 80 percent fixed income and 20 percent common stocks. There followed discussions on the stock market and several general questions concerning the proper mix of stocks and fixed income for a portfolio the size of GEHA. Mr. Hurford indicated that he thought our 20 percent stock portfolio had done very well over the past two years. [REDACTED] specifically asked Mr. Hurford if, in light of current economic setbacks, the GEHA objective of a 10 percent per annum return was realistic and if our 80/20 percent mix was appropriate. Mr. Hurford responded that an expectation of a ten percent return was not out of line. Mr. Johnson asked about the effectiveness or risk of raising the mix of the GEHA portfolio from 20 percent stock acquisition to perhaps 25 or 30 percent. Mr. Hurford responded that stocks will likely become more and more attractive in the near term and they will also provide greater protection against inflation. Therefore the board may wish to consider increasing the mix up to 30 percent but he warned against a higher percentage of stock purchases at this time. He further stated that the equity market may soon drop and this would represent an opportunity for considering purchase of up to 25 percent convertible bonds. Mr. Hurford said such action could still provide safety of investment and potential for a good return. However, at this time, the Board did not elect to change the 80/20 percent mix of fixed income and stock purchases.

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Mr. Hurford conducted a review of past and recent GEHA investment returns and answered questions. There was also discussion of fees. Mr. Hurford confirmed that as originally agreed upon in 1976, management fees have remained at one percent on the first \$5 million of GEHA assets at market value. The fee is .75 percent on the second \$5 million of assets at market value and .50 percent on amounts over \$10 million. These fees are paid quarterly. Mr. Hurford advised the Board that the GEHA portfolio had a market value of approximately \$3.8 million as of September 28, 1979.

The remainder of the meeting was filled with an interesting question and answer period between Board members and Mr. Hurford. Topics such as personal consumption and consumer cycles, two wage earner families, dividends and interest, and inflation and recession were discussed. Mr. Johnson concluded the questioning by asking how much time Mr. Hurford could provide a relatively small account such as GEHA. Mr. Hurford explained that he considered the GEHA account a personal and valued account and that because of the clearly defined investment guidelines provided by the GEHA Board of Directors he could act in the best interests of the account with little or no difficulty.

There was no further business and the meeting was adjourned at 3:00 p.m.



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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

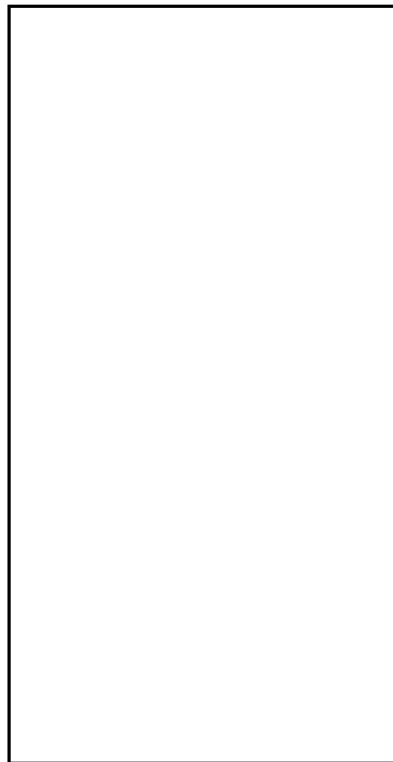
Meeting of the Board of Directors

6 September 1979

(5th Meeting 1979)

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 6 September 1979 at 3:30 p.m. in Room 5E-62 Headquarters. Those present were:

Directors



Chairman

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ent

ice President

asurer

Assistant Secretary

Advisor

nsurance Branch

ance Branch

ording Secretary

Absent were:

Bruce T. Johnson, Director



irector

irector

I, Officer

Medical Advisor

Chairman [redacted] convened the meeting at 3:30 p.m. indicating the primary order of business was to review the current objectives of GEHA's investment portfolio. Before

WARNING NOTICE
INTELLIGENCE SOURCES
AND METHODS INVOLVED



discussing this issue, [] to provide the Board with a status of the Association Benefit Plan's (ABP) premium rates for 1980. [] reported that the Office of Personnel Management (OPM) had approved the Board's 1980 benefits changes, as well as the release of \$750,000 from GEHA's contingency reserve being held by OPM. He also reaffirmed that, by all indications thus far, the Government's contribution to Federal Employees Health Benefit premiums would be at least ten percent for 1980, and stated that the 1980 ABP premium rates for employees would not increase significantly.

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Following [] ABP status report, [] returned to the primary discussion at hand, providing a brief history of GEHA's previous investment policy; the reasons for turning the portfolio over to professional management; and the Board's current policy regarding investment objectives with BEA. This generated discussions by members in which [] asked several questions regarding taxes, the origins of the investment monies, and if the fund would be growing in perpetuity.

25X1

25X1

[] provided answers to all questions and explained the need to retain the reserve in order to fund the current UBLIC retiree program. He touched on the OGC opinion on Board liability sent to all Members which indicated that Board Members as long as they acted prudently in discharging their fiduciary responsibility were not personally liable. He also stated that a comprehensive review to further improve the UBLIC program in terms of greater benefits and lower premiums was being undertaken which in time would return the reserve to UBLIC policyholders. [] then asked if a comparative chart would be made available to Board members. [] indicated that one probably could be obtained comparing UBLIC, WAEPA and FEGLI.

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After discussions in which [] asked about the performance of BEA over the three year period BEA has managed the GEHA account and the make up of the different components of the account, [] related to the Board the exhaustive search to obtain the services of Mr. John Hurford, Vice President of BEA and suggested that the Board may wish to meet him. It was decided that [] would contact Mr. Hurford and have him visit the Board as soon as practicable to discuss the management of the account indepth.

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Following a discussion of a number of topics regarding BEA which included a review of the qualifications of BEA, the

25X1 mechanics of the annual review of the BEA account by the Agency's Audit Staff, and how the Credit Union handles its investments [redacted] explaining), it was the Board's consensus to reaffirm the existing investment objectives.

Having no further business, the meeting was adjourned at 4:10 p.m.

25X1 [redacted] Secretary

STATINTL

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

25 March 1980

(1st Meeting 1980)

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 25 March 1980 at 9:30 a.m. in Room 5E-62 Headquarters. Those present were:

Directors

Chairman

Mr. Bruce T. Johnson

Mr. Charles A. Briggs

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President
Treasurer
cretary
Assistant Secretary

cal Advisor
visor
visor

ing Secretary

Chairman [] opened the meeting at 0930 hours with the election of GEHA Officers for 1980 as the first order of business. The following slate of GEHA Officers and Advisors was proposed, moved upon for election, seconded and the motion unanimously passed:

WARNING NOTICE
INTELLIGENCE SOURCES
AND METHODS INVOLVED

PRESIDENT - Mr.

VICE PRESIDENT -

TREASURER - Mr.

SECRETARY - Mr.

ASST. SECRETARY

ASST. SECRETARY

ASST. SECRETARY

CASHIERS - Mrs.

CASHIERS - Mrs.

MEDICAL ADVISOR

LEGAL ADVISOR -

25X1

The next item of business, a discussion of the Association Benefit Plan benefits proposals for 1981, was introduced by the Chairman. He then turned the meeting over to [] to lead the Board through each of the proposals. After some discussion, it was decided to look at each proposal, voice a position and then take a look at the whole package.

M [] began by reminding the Board that this benefits meeting was the first of two important meetings dealing with the health benefits contract. He explained that today's meeting was to discuss benefit proposals, and the second will be to discuss premium rates. He pointed out that the ABP benefits and premium rate proposals are due to OPM by 30 April and 31 July, respectively. He also indicated that we have only a few months of claims experience to date; therefore, we have no way of knowing if a rate increase may be required by the Underwriter when they analyze the claims experience after the first five months of the contract year. [] went on to say that claims experience for January and February, however, is running only slightly ahead of last year; and, if this trend continues, we should expect only a modest increase, which may be absorbed.

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The Board was also advised by [] that OPM's letter dealing with benefits proposals is always restrictive in its guidance and contains their typical language, e.g., "For 1981 we will consider proposals for perfecting changes that are intended to remedy inequitable situations and resulting in no or only minimal cost." He went on to say OPM generally will not accept dramatic changes in benefits which are costly; they always urge cost containment measures; and that OPM asks all Plans to review their deductible in terms of an increase as a means to offset rising health care costs and benefits increases.

25X1

[] outlined that the GEHA staff, within the spirit of the call-up letter, has identified and recommended some modest improvements to the Plan. He also mentioned the proposed dental and alcoholism changes which, due to their high cost and limited benefits, are not recommended. Each of the proposed benefits changes was discussed in detail, and where applicable, [] compared them to the existing benefits. He also reviewed the corresponding biweekly cost figures provided by Mutual's actuarial staff. The attached chart reflects the existing 1980 ABP benefits, the benefits proposals for 1981 and the projected biweekly premium charge for each benefit.

25X1

After thoroughly discussing each of the 1981 benefits proposal changes, it was the decision of the Board, with the exception of [] abstaining vote, to approve items 1 through 6 of the attached chart. [] raised the point that there would be some merit in not approving the proposed increase in the anesthesia benefits in order to keep ABP increases as small as possible.

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The discussion then moved to Item 7 (a-f), and primarily focused on 7 (a) -- increase the ABP deductible from \$100 to \$150 -- and proposal 7 (c) -- increase the deductible from \$100 to \$200, with the remaining expenses payable at 85%. It was the consensus of the Board to continue with the \$100 deductible for 1981, but if there is a substantial increase in premiums, it may be necessary to increase the deductible for 1982. It was also agreed that if increasing the deductible were to become a real possibility, an educational campaign should be developed to prepare ABP participants for this anticipated change.

Dental proposals, Item 8 (a) and (b), were next discussed, but received no support from the Board. [] then asked if any member of the Board would like to address the

25X1

25X1 improved alcoholic coverage. Both [] and
25X1 [] reaffirmed [] earlier position
that the alcoholic proposal is very expensive, provides
limited benefits and would serve only a few participants.
25X1 [] then polled the official view of the Board
regarding the dental and alcoholic proposals, and it was
unanimously agreed not to include these benefits for the
1981 ABP contract. This concluded the scheduled business
of the Board.

25X1 [] then asked if there were any unscheduled
25X1 business. [] responded by introducing [] as
his successor as GEHA's legal advisor and stated that he
would be transferring to the Department of Justice.
Further discussions ensued, focusing on the need for
policyholders to question bills submitted by doctors; the
illegibility of claim form carbon copies; and the complex-
ity of the claim form itself. As a final item,
25X1 [] reminded the Board of the early summer meet-
ing to discuss rate increases, if any, and also pointed
out that the GEHA staff is working on a complete review
of the UBLIC plan and would be coming to the Board with
some exciting revisions.

Having no further business, [] adjourned
the meeting at 10:15 a.m.

25X1 []

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

16 June 1980

(2nd Meeting 1980)

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 16 June 1980 at 10:00 a.m. in Room 5E62 Headquarters. Those present were:

Directors

25X1

[Redacted]

Chairman

Mr. Charles A. Briggs

25X1

[Redacted]

Mr. Bruce T. Johnson

25X1

[Redacted]

Officers

25X1

[Redacted]

ent
ce President
t, Treasurer
Secretary

Medical Advisor
l Advisor (Alternate)

rding Secretary

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Chairman [] opened the meeting at 1000 hours, introducing the proposed changes to UBLIC as the first item of business. The meeting was then turned over to President [] who was asked to conduct the UBLIC discussion.

[] began his presentation with a series of overhead viewgraphs which reflected the present and proposed UBLIC benefit and rate structures. He discussed raising the benefit limit from \$36,000 to \$50,000, mentioning within the next year or two that, perhaps, the benefit levels could be raised even higher. [] then presented a number of viewgraphs which showed the Board the Plan change proposals in incremental steps ranging from the \$5,000 to the \$50,000 benefit levels with the reductions associated with each level. He also proposed raising the dependent coverage, at no cost to the policyholders, to age 22.

There was considerable discussion generated by all of the Board members regarding the methodology used to arrive at the rate differences between age groups. The main thrust of these centered on the older age groups receiving less of a reduction than the younger age groups. [] explained to the Board that the actuarial studies performed by the Underwriter indicated a need to attract a larger number of Agency employees in the younger ages. It was the Underwriter's recommendation that the Plan should strive to attract a better mix of participants. He went on to say that eighty percent of UBLIC enrollees are in the 40 and above age group; and of this grouping, over forty percent are age 50 and above. There were further questions which focused on the differences between the WAEPA and UBLIC Plans in terms of age mix, rates and differences in UBLIC's level benefit structure vs. WAEPA's decreasing term benefit structure. [] provided detailed answers to all these questions.

[] concluded his UBLIC presentation, at which time Mr. Briggs moved to accept, indicating that "its purpose is laudatory and its statistics sound reasonable." The chairman asked for a second motion which was provided by []. The motion was then unanimously passed to accept the increased benefit level of \$50,000 with the reduction in rates at all levels and increased the dependent coverage to age 22.

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Following this motion, [] briefly discussed the UBLIC promotional campaign. He advised the Board that it will consist of an Agency-wide announcement, [] Headquarters Notice and a new brochure. [] then raised a point regarding Board interaction prior to undertaking studies of Insurance Programs which have a major impact. [] also noted that the Board should play a role in deciding the philosophy which should drive the undertaking. It was agreed that the Board should be offered options where appropriate to the subject. [] suggested also that Board members should feel free to suggest items which should be examined or explored.

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25X1

25X1

The Board was then reminded by [] of the meeting with the Underwriters on 16 July to discuss the ABP's rates and the subsequent 18 July meeting of the Board to approve the proposed rate to OPM for 1981.

25X1

The meeting was ajourned at 10:45 a.m.

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

18 July 1980

(3rd Meeting 1980)

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 18 July 1980 at 10:00 a.m. in Room 5E62 Headquarters. Those present were:

Directors

25X1 [redacted]

Mr. Charles A. Briggs

25X1 [redacted]

Mr. Bruce T. Johnson

25X1 [redacted]

Officers

25X1 [redacted]

t
President
Treasurer
cretary

cal Advisor
Advisor

25X1 Chairman [redacted] opened the meeting by advising the Board that the first order of business would be the discussion and approval of premium rates for the Association Benefit Plan (ABP) for the 1981 contract year. He then turned the meeting over to [redacted] for a discussion of the proposed rates.

25X1

25X1

[redacted] first provided background on the role of Office of Personnel Management (OPM) in the rate setting process as administrator of the Federal Employees Health Benefits Program and how the contingency reserve is established.

25X1

[redacted] then advised the Board that GEHA officers and members of the Insurance Branch had recently met with representatives of Mutual of Omaha to review projections of ABP premiums. He explained that the projections are based on 4 1/2 months of experience and are projected based on OPM formulas. He then pointed out the Plan's projected ending special reserve held by the Underwriter would be \$2,841,000. [redacted] also pointed out the calculated rate increase would result in a planned operating loss which would be expected to draw down the Underwriter's special reserve to \$2,106,000. Since it is hard to predict the loss estimate, the Underwriter suggested a modest increase in subscription resulting in a total income need of \$17,542,000. This amount represents a 7 per cent increase in total premiums over last year. A factor in the rate proposal this year is OPM's request for parity in self and family rates.

25X1

25X1

[redacted] explained that parity could be obtained in a single year with considerable impact on the Plan's self enrollment rate, or could be achieved over three years with minimal impact.

In order to minimize the rate increase impact, [redacted] also suggested a contingency release from OPM reserves. Last year the OPM contingency reserve release was \$750,000, and included in the options for this year were rate proposals based on a range of an OPM contingency reserve release from zero to \$750,000.

25X1

25X1

[redacted] indicated that we might expect a 10 per cent increase in the government contribution, but that the increase could go as high as 12 or 15 per cent.

There was some discussion at this point as to how the various percentage increases tie into the overall increase and how the government contribution percentage is established.

The discussion then focused on what would be a reasonable OPM contingency reserve release and its impact on the overall rates. Based on this discussion, the Board voted

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on requesting from OPM a \$500,000 contingency release. The motion passed with two members opposed. These two members preferred the \$400,000 release as being more salable to OPM.

The Board then voted on and unanimously approved the partial rate distribution proposal.

25X1 [] then indicated the next item on the agenda was the effective date of the UBLIC changes. [] addressed the Board and explained that it would be possible to make the new rates effective the first pay period in August for existing UBLIC participants. He explained, however, that the brochure explaining the new coverage would not be available until September, and there was some discussion as to how present members would move to higher levels of coverage. [] then requested a motion, and 25X1 [] proposed August as the effective date for the 25X1 UBLIC changes. The motion was passed unanimously.

The Board moved on to the last item on the agenda--new levels of Income Replacement coverage. After a short discussion, the Board approved the addition of 600, 800, and 1,000 dollar monthly benefit levels of coverage to be effective the first pay period possible. The Board also approved publishing an announcement on Income Replacement.

25X1 [] then reported that the GEHA annual audit had been completed, indicating some difficulty with the BEA investment philosophy. [] is examining comments made in the audit, and that this would be addressed in a future Board meeting. There being no further business, the meeting was ajourned at 11:15 a.m. 25X1

25X1 []
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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

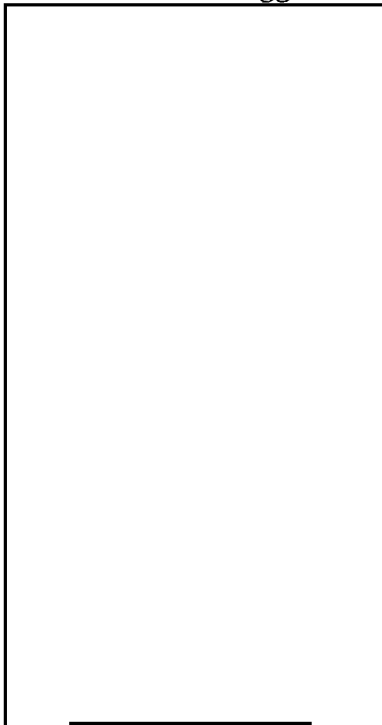
5 November 1980

(4th Meeting 1980)

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 5 November 1980 at 2:00 p.m. in Room 5E-62 Headquarters. Those present were:

Directors

[redacted] Chairman
Mr. Charles Briggs



dent
ice President
Treasurer
Secretary

l Advisor

ording Secretary

Chairman [redacted] opened the meeting at 1400 hours with nominations for the Board of Directors. [redacted] requested three candidates from each Directorate and two from the DCI area. All nominations are to be supplied to [redacted] by telephone by the end of the week so ballots can be printed and the proceedings for the elections can begin.

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A discussion followed in which [] asked what were the terms of reference for new Board Member candidates. [] pointed out that since the GEHA programs affect the lives of thousands of employees and retirees, it is necessary to have senior people who can bring to the Board those abilities, experience, and judgments necessary in managing comprehensive insurance programs involving many millions of dollars. [] also interjected that GEHA is a business enterprise and that the Board has a clear responsibility to nominate individuals capable of carrying out these fiduciary responsibilities.

25X1
25X1

25X1

The first item of business, discussion of the BEA portfolio, was introduced by the Chairman. He then turned the meeting over to []

25X1

first point was to stress the importance of looking for people with a good investment background in selecting new members for the GEHA Board. She felt this type of expertise would be necessary in order to make competent judgments regarding investments. Therefore, the sub-committee, in their review of BEA, made arrangements to have [] review the entire BEA portfolio since they possessed the expertise, competence and objectivity necessary in completing the study. [] observed that while there were some difference of opinion between the two men, they had come to a remarkable agreement on a couple of items. The meeting was then turned over to [] agreed with the points made by [] In addition, he stressed that the sub-committee had recommended a more detailed and lengthy examination of the BEA portfolio since none of the committee felt qualified to really conduct an in-depth analysis of the different investment alternatives. He went on to say that the committee felt that a response was due the auditors even if it was an interim report acknowledging that the auditors had made some good points and that the Board was looking into those points.

25X1

25X1

25X1

In summing up the committee's report, [] made the final point that the group observed that the general investment objective for GEHA is one that maximizes the gain without sacrificing to any measurable extent the security of the portfolio. To that end, it seemed logical to take a long, hard look at some alternatives such as a money market fund or something like that in the mode of the VIP, for example. The committee concluded that they could not recommend any particular investment alternative nor recommend the dismissal of BEA as GEHA's portfolio manager at this time.

25X1

A discussion followed in which [] agreed that a response was due the auditors outlining that further study of the investment portfolio is underway. Mr. Briggs commented that he understood that it was the Audit Staff's desire to bring the investment portfolio to the attention of the Board, and what they specifically want as a result is only consideration of it by the Board. He went on to say that if the Board, in its deliberation, concludes that the existing setup is the best one, that is a totally satisfactory answer as far as the Audit Staff is concerned.

25X1

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25X1 [] then suggested that a standing investment committee be
appointed and that the Board authorize the chairman to hire someone like
25X1 [] out of GEHA funds to conduct an indepth analysis of BEA's
performance to also include the Board's objectives. In addition, a report
at least semi-annually or even annually from the chairman of that committee
should be made which will become a part of GEHA's structure and will be
there for all to see.

25X1 It was the consensus of the Board that [] would contact
25X1 [] to see if he is available as a consultant to the Board or if
not interested see if [] has suggestions of people that might
be competent and capable of advising the Board for the purpose of conducting
a 30-or-60-day study between now and the taking of office of the new Board.

25X1 [] then asked if there were any other items for discussion.
25X1 [] questioned whether the Plan would cover weight reduction which
was prescribed by a physician. [] responded that treatment
for obesity is specifically excluded from benefits under the terms of the
contract and, therefore, not payable.

25X1 [] was concerned with the catastrophic protection that the
Plan provides beyond the 365 days for a semi-private room. In addition,
she was concerned with a program that offered insurance coverage for
dependents upon reaching age 22 with low premiums and good coverage.
25X1 [] is tasked to explore both areas and report to the Board.

There was no further business, and the meeting adjourned at 2:50 p.m.

25X1 []

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

20 March 1981

(1st Meeting 1981)

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 20 March 1981, at 2:00 p.m. in Room 5E-62 Headquarters. Those present were:

Directors

[Redacted]

Mr. Bruce Johnson

[Redacted]

Mr. Charles Briggs

[Redacted]

nt
esident
, Treasurer
ecretary

al Advisor
dvisor

nce Branch
ding Secretary

The President called the meeting to order. The first order of business was to invite a nomination for election of the chairman of the GEHA Board of Directors. [Redacted] the current Chairman, to continue as Chairman. Mr. Briggs seconded the nomination, and [Redacted] was unanimously elected.

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AND METHODS INVOLVED**

[Redacted]

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The meeting was turned over to [] and the following slate of GEHA Officers and Advisors was proposed, moved upon for election, seconded, and the motion unanimously passed:

President

Vice President

Treasurer

Secretary

Assistant Secretary

Assistant Secretary

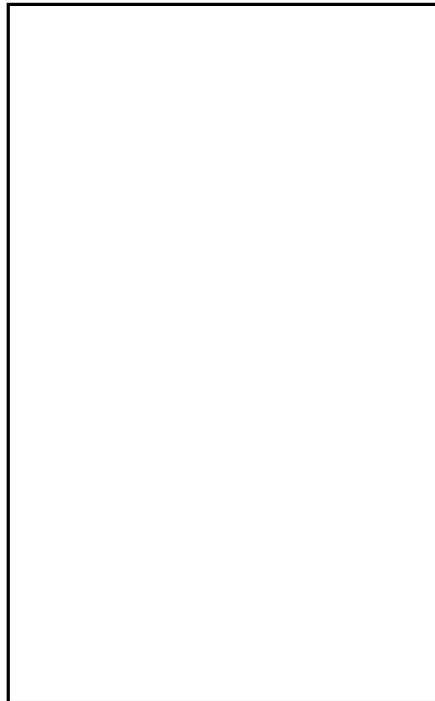
Assistant Secretary

Cashiers

Cashiers

Medical Advisor

Legal Advisor



After welcoming [] (Medical Advisor), [] (Legal Advisor), and [] (new Board Member) to the Board, [] introduced the next item of business, a discussion of the Association Benefit Plan's proposed benefits changes for 1982. He then turned the meeting over to [] to lead the Board through each of the proposed changes.

[] began by noting that usually a call-up letter is triggered from the Office of Personnel Management that lays out the guidance for the coming year's proposals. However, this year's call-up letter had not been received, and he felt proceedings could not wait. He explained that normally the call-up letter would provide guidance to the Plan to limit their changes to what is historically referred to as perfecting changes. He advised the Board that generally OPM would not accept dramatic changes in benefits which are expensive, but that they would approve benefit changes that would seem to make sense in light of our program versus other government programs.

[] then focused on the specific benefit suggestions for 1982 noting that, in the absence of recommendations by the Board, the GEHA officers have prepared some items which can be recommended, some with a little reservation, and some that should be deferred totally to the Board in the context of discussion.

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25X1 The first two items, adding the services of a Psychiatric Nurse and payment for testicular prosthesis as a Major Medical Benefit, were recommended by [] since there were no charges associated with this benefit, and they represented perfecting changes to the Plan. The Board unanimously agreed to add these items as benefits for 1982.

25X1 [] then moved on to items three and four--chemotherapy coverage and full coverage of a Podiatrist under the Plan's Basic Benefits. After some discussion the Board unanimously approved these benefit additions since they were modest in cost and would bring the Plan up to par with the Blue Cross/Blue Shield employee plan.

25X1 Before continuing further to the next items, [] asked if the benefits were not changed at all, what would be the expectation in terms of an increase in premiums. [] explained that the Board would have to await first the analysis by the Underwriter in May and then ultimately the OPM's review of all plans in July, August, and September. He added that in March the Board is dealing in a vacuum because they don't know what the Underwriter's determination will be in May. [] wondered if their determinations were construed as being a bit cheapish last year. [] explained that it was difficult to determine the impact of benefit increases on the premium without knowing the May or June experience or the government contribution. [] wondered if there was any indication from the submission of claims this year as to how the experience would look to the Underwriter. [] interposed that Mutual has informed the Plan that based on two months there doesn't appear to be any anomalies, but it was much too soon to talk about trends. [] advice was to look at the total, the proposed cost of the benefits, the impact on the total membership, and then do what was prudent.

25X1 [] then moved on to the next item, dental care, indicating that his specific recommendation was to defer this year. However, if the Board felt something is needed, his recommendation was to enter it gradually adding a new area of dental care each year.

25X1 The Board members considered different aspects of the dental coverage in their discussion. [] questioned the impact on the cost if the dental coverage would not be treated as a Major Medical provision. [] felt that the cost would soar. Mr. Johnson's thoughts were that the general philosophic thrust was to provide insurance against catastrophic occurrence which does not apply to the proposed dental benefits. It was suggested that a change in the basic philosophy to encourage preventiveness may be necessary. [] was not prepared to make this change based on the discussion thus far. [] suggested that the Board might want to discuss an increase in the deductible in conjunction with the dental proposals. He explained that an increase of the deductible to \$150 would result in a premium reduction of 62 cents which could offset the cost of some dental coverage. It was a concern that the increase in the deductible was too high.

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Further discussion on this continued later in the meeting. [redacted] summarized that the sense of the Board was to make an entry into the dental field if an area can be found which would give them some benefit against the occasional catastrophic loss that people might suffer. Therefore, the Board would defer their decision on dental care until further research could be provided outlining major dental procedures that would represent catastrophic coverage as a Major Medical Benefit. This information would be provided to the Board members, and further discussions would continue by telephone or by a short meeting.

25X1

The next item for discussion concerned the increased coverage for alcoholism. It was agreed that while alcoholism is a problem in the Agency, the problem is in getting the people to admit themselves for treatment, not in having enough insurance coverage to pay for the treatment. Therefore, the Board decided not to increase the benefits for alcoholism coverage.

The last item of business was a discussion led by [redacted] concerning GEHA's investments. It was concluded that an investment committee would be appointed to consist of [redacted] and Messrs. [redacted] joined by [redacted]. The committee would meet with [redacted] and, in advance, decide what [redacted] would look at, i.e., investment objectives, return, yield, portfolio management, etc. [redacted] would then prepare a report for the investment committee who, in turn, would advise the Board. [redacted] volunteered to contact [redacted] and be the focal point to provide [redacted] with the necessary investment data and discuss an estimate of how long it will take, as well as, determine what would be a fair price for his services.

25X1

25X1

25X1

25X1

25X1

25X1

Having no further discussion, [redacted] adjourned the meeting at 2:50 p.m.

25X1

[redacted]
Secretary

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

20 April 1981

(2nd Meeting 1981)

A regular meeting of the Government Employees Health Association, Inc. Board of Directors, was held on 20 April 1981, at 9:00 a.m. in Room 5E-56 Headquarters. Those present were:

Directors

Mr. Charles Briggs

Mr. Bruce Johnson

ent
President
Treasurer
Secretary

ording Secretary

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25X1

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25X1 The Chairman, [] called the meeting to order and before going to the business at hand, announced that Mr. [] would be resigning from the Board effective 29 April 1981. [] then opened the meeting to a discussion of proposed dental benefits to be included in the Association Benefit Plan's benefits submissions for 1982 and turned the meeting over to [] to lead the discussion. 25X1

25X1 [] began by reading significant portions of the Office of Personnel Management's call letter, focusing on OPM's stated interests of Hospice Care, Dental Care, and comments from the Plan on having a biannual vs an annual health benefits open enrollment period.

Discussion then followed to determine which of the several dental benefits the Board had asked the GEHA Staff to have costed out during the 20 March 1981 meeting to include in our 1982 benefit proposal to OPM. Several issues were brought up to include favoring of one class of policyholder vs another (i.e., dentures for older people and orthodontics for families with children); Board philosophy on catastrophic protection vs total protection; and impact of costs vs benefits added. After a lengthy discussion, the Board unanimously decided to propose the addition of certain specified dental surgical procedures as a Major Medical Benefit subject to the 20% co-insurance and adopt the addition of the "free" Hospice Care Benefit.

25X1 [] next discussed the changing of the health benefits open season, noting that OPM's point of view is totally management oriented and not the employee's. He related the concern that an employee can get locked into a plan for two years despite extreme changes in premiums and benefits and others who could be denied benefits for up to two years before being permitted to sign up again. [] asked for and unanimously received the Board's agreement to indicate to OPM our Plan's opposition to a change in the annual health benefits open enrollment period. 25X1

25X1 As a final item of business, [] gave a status report on engaging the services of [] the investment program. It was reported that [] had agreed to take on this task for a fee of \$2,000 and would deliver his final report by mid-May. The Board unanimously approved the commitment of GEHA's funds up to \$2,000 for [] review of the investment portfolio. With no further business, the meeting was adjourned at 9:30 a.m. 25X1

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25X1

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

21 July 1981

(3rd Meeting 1981)

A regular meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 21 July 1981 at 10:30 a.m. in Room 5E62 Headquarters. Those present were:

Directors

[redacted] Chairman
Mr. Charles Briggs

[redacted]
Mr. Bruce Johnson

[redacted]
nt
, Treasurer
ecretary
ant Secretary

[redacted]
al Advisor
dvisor

[redacted]
Chief/Benefits Service Division
of Omaha
ding Secretary

Chairman [redacted] called the meeting to order and after welcoming [redacted] to the Board of Directors as the replacement for [redacted] introduced the next item of business, the discussion and approval of premium rates for the Association Benefit Plan for the 1982 contract year. He then turned the meeting over

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25X1 to [] for a discussion of the proposed rates.

25X1 [] advised the Board that we had submitted our proposed benefits to the Office of Personnel Management and were now in the second cycle of the process dealing with rates to be charged for those benefits. He also advised that GEHA officers and members of the Insurance Branch had recently met with representatives from Mutual of Omaha to review projections of ABP premium rates. He introduced Mr. Bill Holt, Vice President for Mutual's Actuarial Department, who had been instrumental in preparing our rate proposal for 1982.

Utilizing overhead viewgraphs, [] presented background information and statistical data leading to proposed ABP rates for 1982. He explained to the Board that Mutual had reviewed actual claims through June 1981 to update their original 1981 projections. This has resulted in a revised 1980 estimate of claims exceeding \$19 million versus the original projection of \$17 million for 1981.

25X1 [] explained the higher projection results from inflation and increased utilization at a higher rate than originally anticipated.

25X1 [] also explained that in making the 1981 projections, the Underwriter was forced to use an arbitrary inflation rate of 12 to 13% established by the Council on Wage and Prices rather than the actual rate which has been running between 17 and 18%. Such limitations are not being imposed for 1982.) He further advised that these revised projections will result in a \$3.2 million deficit for the 1981 contract year; but that offsetting this to some degree was the 2.3 million reserve carryover from 1980 which reduces the total loss during 1981 to \$889,000. To cover this deficit and projected claims for 1982, the Underwriter has projected a total requirement of \$25.5 million for 1982 which includes a premium increase to \$23.5 million and a contingency reserve payment of \$2.1 million from OPM.

25X1 [] explained to the Board that this would result in a 48.6% increase to the total Self-only premium and a 35.2% increase to the Self and Family premium, but that an alternate proposal by Mutual to request an additional contingency reserve contribution of \$.7 million would help to offset the increased claims experience. Under the alternate proposal, which requires a special request and approval by OPM, the percentage increase would be 44.3% for Self-only and 31.3% for Self and Family. Discussion then ensued regarding our contingency reserve balances, the statutory requirement to maintain the equivalent of a one-month's premium in that reserve, and the amounts that would be available to offset premium increases.

25X1 [] then went on to explain the OPM levied requirement for rate distribution, i.e. each plan must establish the rates for Self-only and Self and Family based on claims experience within those respective categories. The options for achieving full rate distribution, either right away in 1982 or gradually of a period of two years, were discussed along with the resulting impact and trade-off between Self-only and Self and Family premiums.

It was then explained what the 1982 total increases meant in terms of out-of-pocket expenses to the employees, assuming various percentage increases in the government contribution and full rate distribution in 1982. The Underwriter's best guess was that the government contribution

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would increase by 25%. In such an instance the employees' out-of-pocket expenses would rise 112% for Self-only (\$4.97 to \$10.56) and 53% for Self and Family (\$20.49 to \$31.34) assuming a \$2.1 million contingency reserve contribution; with the larger \$2.8 million contribution, the expenses would rise 95% for Self-only (\$4.97 to \$9.69) and 42.1% for Self and Family (\$20.49 to \$29.12). The Chairman asked what was happening to other government plans. [redacted] advised that the Underwriter's best information indicated that the other plans were experiencing the same dramatic increases. This led to discussions in comparison of ABP rates with the two government-wide plans, the formula for ascertaining the amount of government contributions, and the methodology employed by OPM in negotiating annual premium rates. The fact was brought out that ABP's rates over the years have been considerably lower than Blue-Cross who is the next largest insurer of Agency employees. It was also pointed out that the current system does not allow sufficient flexibility to deal with serious problems such as now being encountered. The impact on both active and retired employees was also discussed.

25X1

It was acknowledged that we should request the higher contingency reserve payment from OPM and a motion was made that full rate distribution be accomplished right away in 1982. The motion was seconded and passed unanimously.

Discussions then again took place on the OPM imposed sequence of decision making and the fact that options for offsetting the pending increase are taken away by the current system. The Board, for example if given the opportunity, would probably want to consider raising the deductible to lessen the total impact on the employees. [redacted] acknowledged this as a valid concern and indicated this area would be the subject of future discussions with OPM.

25X1

There being no further business, the meeting was adjourned at 11:25 a.m.

25X1

[redacted]

Secretary

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

3 September 1981

(Special Meeting)

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 3 September 1981 at 9:00 a.m. in Room 5E62 Headquarters. Those present were:

Directors

[redacted] Chairman
Mr. Charles Briggs, DCI Member

[redacted]
Mr. Bruce Johnson, DDA Member

member
NFAC Member
NFAC Member

dent
President
Treasurer
Secretary

SD
B
ording Secretary

The special meeting, called because of OPM's recent letter requesting that the Plan resubmit its 31 July 1981 rate proposal, was opened by the Chairman and turned over to [redacted] for discussion.

[redacted] began by explaining the OPM letter which had been sent to all Board members. In brief, [redacted] stated that OPM, after receiving all FEHB plans rates in July, analyzed the proposals and realized they would be over budget by 500 million dollars. Assuming that the 1982 rates would be an excess of 30% over 1981 rates, OPM then proposed

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three objectives to reduce this average:

- a. raise deductible to \$200.00
- b. reduce co-insurance to 75%
- c. move certain non-hospital basic coverages into major medical coverage

25X1

With this preface, [] provided the Board with the attached charts prepared by the GEHA staff showing the various options available to the Board. Considerable discussion of the options followed with Mr.

25X1

[] providing the Board with the specific recommendation of only offering to increase the Plan's deductible to \$150.00 and standing pat on OPM's other two objectives. This recommendation was unanimously accepted by the Board with the understanding that if OPM did not accept the Plan's proposal the Board would reconvene to consider other options. With no further business at hand, the meeting was adjourned at 9:40 a.m.

25X1

[]

Secretary

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

16 September 1981

(Special Meeting)

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 16 September 1981 at 10:00 a.m. in Room 5E62, Headquarters. Those present were:

Directors

	Chairman
Mr. Charles Briggs, DCI Member	
	s
	NFAC Member
	Member
	dent
	President
	Treasurer
	Secretary
	SD
	B
	ording Secretary

The Chairman opened the special meeting and turned it over to Mr. [redacted] for discussion. [redacted] began by advising the Board that GEHA's proposal of 8 September had been totally unacceptable to OPM and therefore required a resubmission by GEHA to further reduce benefits.

[redacted] then asked that the attached tables prepared by the GEHA staff be handed out to the members of the Board. There was considerable discussion concerning the various options available to meet what was understood to be the most current OPM benefit reduction guidelines. Much of the discussion then centered on whether the Plan should fully meet OPM's mandate or make a reasonable proposal, holding other benefit reductions in reserve should that be necessary.

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It was the unanimous decision of the Board to go forth with a new proposal to OPM to include increasing the deductible to \$150.00; reduce Out-Patient coverage for Mental and Nervous disorders to 70% co-insurance, limiting the number of visits to 50 per person per calendar year along with reducing In-Patient coverage for Mental and Nervous disorders under Basic Benefits to 100% for the first 30 days of each confinement and 80% thereafter; and withdraw our 1982 benefit increases proposed in April of 1981.

25X1
25X1 [redacted] promised to advise the Board on OPM's reactions to this latest proposal and [redacted] reminded the Board that if OPM does not accept the proposal a subsequent meeting would have to be called on short notice.

With no further business, the meeting was adjourned at 10:30 a.m.

25X1
[redacted]
Secretary

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NET TO CARRIERSAVINGS

	<u>SELF</u>	<u>FAMILY</u>
Option A - (\$200 Deductible)	\$.75	\$2.12
Option B - (75% Co-Insurance)	.38	.97
Option C - (Non-Hospital Charges) (to Major Medical -) (x-ray & lab)	.29	.72
Option A + B -	1.13	3.09
Option A + C -	1.04	2.84
Option A + B + C -	1.42	3.81
\$150 Deductible -	.41	1.18
\$150 Ded. + B -	.79	2.15
\$150 Ded. + C -	.70	1.90
\$150 Ded. + B + C -	1.08	2.87
M & N Out-patient 70% co. ins. and limit to 50 visits per calendar year	.20	.55
M & N Out-patient 50% co-ins. and limit to 50 visits per calendar year	.55	1.55
M & N In-patient 1st 30 days at 100% - 80% thereafter	.06	.16
M & N In-patient 1st 30 days at 100% - 50% thereafter	.14	.39

1982 ADDED BENEFITS

	<u>SELF</u>	<u>FAMILY</u>
Chemotherapy	\$.01	\$.01
Removal of Podiatrist Restrictions	.01	.02
Dental Provisions	.04	.09
<hr/>		
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1981 ADDED BENEFITS

Catastrophic \$10,000 - \$5,000	.02	.05
Emergency Treatment in Dr's. Office	.01	.03
Anesthetic was \$50 or 30% Increased to \$50 or 40% with difference at 80% without deductible	.06	.16
Out of hospital x-ray & lab Increase from \$400 to 100% of R&C	.01	.03

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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

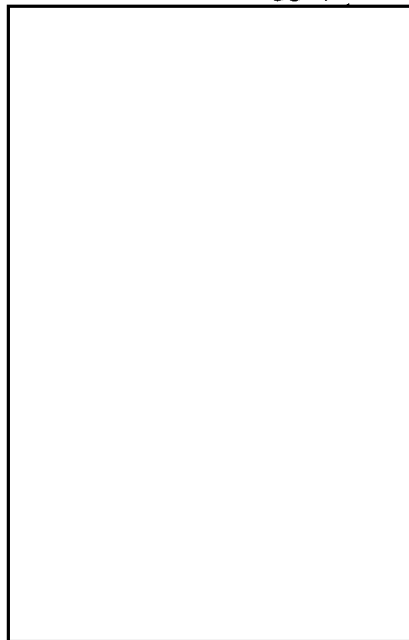
23 September 1981

(Special Meeting)

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 23 September 1981 at 1:30 p.m. in Room 5E62 Headquarters. Those present were:

Directors

Mr. Charles Briggs, DCI Member



Member
NFAC Member
FAC Member

President
Treasurer

Advisor

Secretary
Recording Secretary

In the absence of the chairman, [redacted] opened the special meeting, indicating that GEHA's proposal of 18 September to OPM had been unacceptable. He went on to explain that OPM, in an earlier analysis prepared by Dr. Devine, had included the reduction of mental and nervous benefits as a means to achieve the necessary benefits reduction requested by OPM. However, OPM has reversed their initial opinion and advised us that our Plan must look to other areas in which to achieve these goals.

[redacted] then offered the attached options which come close to meeting what the Plan understands to be the reductions requested by OPM.

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After considerable discussion of the options presented by [redacted] it was concluded that the Plan would propose to OPM to increase the deductible from \$100 to \$200; transfer Out-of-Hospital x-ray and Laboratory charges from Basic to Major Medical Benefits; and withdraw our 1982 benefit increases proposed in April 198 [redacted] moved to accept this proposal and it was seconded by [redacted] with no further discussion, the motion was unanimously passed. Having no further business, the meeting was adjourned at 1:50 p.m.

25X1

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25XT

[redacted]

Secretary

CONFIDENTIAL

COST REDUCTIONS ASSOCIATED WITH
ASSOCIATION BENEFIT PLAN PROPOSALS FOR 1982

I

	\$150 Deductible M&N Reductions Withdraw 82 Increases		\$200 Deductible 75% Coinsurance		\$200 Deductible X-ray/Lab under MM		\$150 Deductible 75% Coinsurance X-ray/Lab under MM	
	<u>Self</u>	<u>Family</u>	<u>Self</u>	<u>Family</u>	<u>Self</u>	<u>Family</u>	<u>Self</u>	<u>Family</u>
Withdraw 82 Increases	.73	2.01	.91	2.37	1.04	2.63	.89	2.31
	(included in above)		<u>.06</u>	<u>.12</u>	<u>.06</u>	<u>.12</u>	<u>.06</u>	<u>.12</u>
Total	.73	2.01	.97	2.49	1.10	2.75	.95	2.43

COST REDUCTIONS ASSOCIATED WITH
ASSOCIATION BENEFIT PLAN PROPOSALS FOR 1982

II

	\$150 Deductible M&N Reductions Withdraw 82 Increases		\$100 Deductible 75% Coinsurance X-ray/Lab Under MM		\$150 Deductible 75% Coinsurance		\$150 Deductible X-ray/Lab Under MM	
	<u>Self</u>	<u>Family</u>	<u>Self</u>	<u>Family</u>	<u>Self</u>	<u>Family</u>	<u>Self</u>	<u>Family</u>
	.73	2.01	.67	1.69	.60	1.59	.41	1.18
Withdraw 82 Increases	(included in above)		<u>.06</u>	<u>.12</u>	<u>.06</u>	<u>.12</u>	<u>.06</u>	<u>.12</u>
Total	.73	2.01	.73	1.81	.66	1.71	.47	1.30

CONFIDENTIAL

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

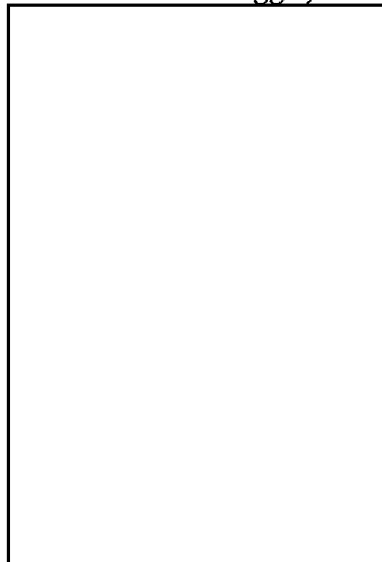
2 October 1981

(Special Meeting)

A special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 2 October 1981 at 1:00 p.m. in Room 5E62, Headquarters with the following present:

Directors

Mr. Charles Briggs, DCI Member



Member
NFAC Member
NFAC Member

President
Treasurer
Executive Secretary

SD
Recording Secretary

The special meeting was opened by [redacted] in the absence of the Chairman. [redacted] began by informing those present that GEHA's last proposal of 24 September to OPM had not been accepted. He went on to explain GEHA was led to believe by OPM that the equivalent of OPM's objectives' (1) 200 deductible; (2) 75% co-insurance; and (3) moving non-hospital basic coverage to major medical would be acceptable. However, OPM has subsequently advised that in fact all three objectives must be met and that they are looking for reductions which amount to \$1.20 for Self-only and \$3.09 for Self-and-Family. This translates into a shortfall from GEHA's 24 September proposal of \$.10 for Self only and \$0.34 for Self and Family. In order to meet this shortfall [redacted] proposed removing from Basic Benefits payments for doctor's medical visits unrelated to surgery while confined to a hospital.

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25X1

[] next shared with the Board the fact that he had made a personal plea to senior OPM officials and that this plea was to no avail. A discussion ensued regarding the impact of Director Devine's letter of 1 October on other plans. [] pointed out to the Board that those plans that don't comply will be terminated, citing that the American Post Workers Union plan had already received a cancellation letter from OPM and that the Union has taken OPM into court on this issue.

25X1

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25X1

[] then asked if the Government's responsibility is to pay 60% of the Program? [] explained the formula whereby six plans are used to calculate the Government calculation and that the average of the premiums of the six plans equate to the 60% government contribution which is applied to the remaining FEHB plans but in no event can the government contribution exceed 75% of any one plan.

25X1

Discussion then focused on [] proposal regarding the doctor's hospital visits to be paid as a major medical rather than a basic benefit. It was the consensus of the Board that this would be the least traumatic benefit cut. [] moved to accept this option, which was seconded by [] and unanimously passed by the Board. The meeting was adjourned at 1:25 p.m. with no further business to discuss.

25X1

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[]

Secretary

CONFIDENTIAL

CHART ONE

SINGLE(GOVT. CONTRIB.)
(JULY PROPOSAL)

(REDUCED BY OPT. A-B-C)

	1981	20%	25%	30%	20%	25%	30%
TOTAL COST	\$19.90	\$28.70	\$28.70	\$28.70	\$27.23	\$27.23	\$27.23
GOV. PAYS	<u>14.93</u>	<u>18.25</u>	<u>19.01</u>	<u>19.77</u>	<u>18.25</u>	<u>19.01</u>	<u>19.77</u>
EMP. PAYS	\$-4.97	\$10.45	\$ 9.69	\$ 8.93	\$ 8.98	\$ 8.22	\$ 7.46
INC. OVER 81		\$ 5.48	\$ 4.72	\$ 3.96	\$ 4.01	\$ 3.25	\$ 2.49

FAMILY

TOTAL COST	\$56.13	\$73.67	\$73.67	\$73.67	\$69.71	\$69.71	\$69.71
GOVT. PAYS	<u>35.64</u>	<u>42.77</u>	<u>44.55</u>	<u>46.33</u>	<u>42.77</u>	<u>44.55</u>	<u>46.33</u>
EMP. PAYS	\$20.49	\$30.90	\$29.12	\$27.34	\$26.94	\$25.16	\$23.38
INC. OVER 81		\$10.41	\$ 8.63	\$ 6.85	\$ 6.45	\$ 4.67	\$ 2.89

*Option A - \$200.00 Deductible

Option B - 75% co-insurance

Option C - Non-hospital charges to Major Medical

Approved For Release 2003/05/27 : CIA-RDP86-00964R000100050001-1

CHART TWO

SINGLE

(GOVT. CONTRIB.)
(JULY PROPOSAL)

(REDUCED BY OPT. A-B)

	1981	20%	25%	30%	20%	25%	30%
TOTAL COST	\$19.90	\$28.70	\$28.70	\$28.70	\$27.53	\$27.53	\$27.53
GOVT. PAYS	<u>14.93</u>	<u>18.25</u>	<u>19.01</u>	<u>19.77</u>	<u>18.25</u>	<u>19.01</u>	<u>19.77</u>
EMP. PAYS	\$ 4.97	\$10.45	\$ 9.69	\$ 8.93	\$ 9.28	\$ 8.52	\$ 7.76
INC. OVER 81		\$ 5.48	\$ 4.72	\$ 3.96	\$ 4.31	\$ 3.55	\$ 2.79

FAMILY

TOTAL COST	\$56.13	\$73.67	\$73.67	\$73.67	\$70.46	\$70.46	\$70.46
GOVT. PAYS	<u>35.64</u>	<u>42.77</u>	<u>44.55</u>	<u>46.33</u>	<u>42.77</u>	<u>44.55</u>	<u>46.33</u>
EMP. PAYS	\$20.49	\$30.90	\$29.12	\$27.34	\$27.69	\$25.91	\$24.13
INC. OVER 81		\$10.41	\$ 8.63	\$ 6.85	\$ 7.20	\$ 5.42	\$ 3.64

*Option A - \$200.00 Deductible

Option B - 75% co-insurance

Option C - Non-hospital charges to Major Medical

Approved For Release 2003/05/27 : CIA-RDP86-00964R000100050001-1

CHART THREE

SINGLE

(GOVT. CONTRIB.)
(JULY PROPOSAL)

(REDUCED BY OPT. A - C)

	1981	20%	25%	30%	20%	25%	30%
TOTAL COST	\$19.90	\$28.70	\$28.70	\$28.70	\$27.62	\$27.62	\$27.62
GOVT. PAYS	<u>14.93</u>	<u>18.25</u>	<u>19.01</u>	<u>19.77</u>	<u>18.25</u>	<u>19.01</u>	<u>19.77</u>
EMP. PAYS	\$ 4.97	\$10.45	\$ 9.69	\$ 8.93	\$ 9.37	\$ 8.61	\$ 7.85
INC. OVER 81		\$ 5.48	\$ 4.72	\$ 3.96	\$ 4.40	\$ 3.64	\$ 2.88

FAMILY

TOTAL COST	\$56.13	\$73.67	\$73.67	\$73.67	\$70.72	\$70.72	\$70.72
GOVT. PAYS	<u>35.64</u>	<u>42.77</u>	<u>44.55</u>	<u>46.33</u>	<u>42.77</u>	<u>44.55</u>	<u>46.33</u>
EMP. PAYS	\$20.49	\$30.90	\$29.12	\$27.34	\$27.95	\$26.17	\$24.39
INC. OVER 81		\$10.41	\$ 8.63	\$ 6.85	\$ 7.46	\$ 5.68	\$ 3.90

*Option A - \$200.00 Deductible
Option B - 75% co-insurance
Option C - Non-hospital charges to Major Medical

Approved For Release 2003/05/27 : CIA-RDP86-00964R000100050001-1

CHART FOUR

SINGLE

(GOVT. CONTRIB.)
(JULY PROPOSAL)

(REDUCED BY OPT. A)

	1981	20%	25%	30%	20%	25%	30%
TOTAL COST	\$19.90	\$28.70	\$28.70	\$28.70	\$27.92	\$27.92	\$27.92
GOVT. PAYS	<u>14.93</u>	<u>18.25</u>	<u>19.01</u>	<u>19.77</u>	<u>18.25</u>	<u>19.01</u>	<u>19.77</u>
EMP. PAYS	\$ 4.97	\$10.45	\$ 9.69	\$ 8.93	\$ 9.67	\$ 8.91	\$ 8.15
INC. OVER 81		\$ 5.48	\$ 4.72	\$ 3.96	\$ 4.70	\$ 3.94	\$ 3.18

FAMILY

TOTAL COST	\$56.13	\$73.67	\$73.67	\$73.67	\$71.47	\$71.47	\$71.47
GOVT. PAYS	<u>35.64</u>	<u>42.77</u>	<u>44.55</u>	<u>46.33</u>	<u>42.77</u>	<u>44.55</u>	<u>46.33</u>
EMP. PAYS	\$20.49	\$30.90	\$29.12	\$27.34	\$28.70	\$26.92	\$25.14
INC. OVER 81		\$10.41	\$ 8.63	\$ 6.85	\$ 8.21	\$ 6.43	\$ 4.65

*Option A - \$200.00 Deductible
Option B - 75% co-insurance
Option C - Non-hospital charges to Major Medical

Approved For Release 2003/05/27 : CIA-RDP86-00964R000100050001-1

Approved For Release 2003/05/27 : CIA-RDP86-00964R000100050001-1

SINGLE (IN 1981 - EMPLOYEE PAID \$4.97)

INCREASE
GOVT. CONTRIB.

JULY PROPOSAL

REDUCED BY OPT. A-B-C

REDUCED BY OPT. A-B

REDUCED BY OPT. A-C

REDUCED BY OPT. A

	Emp. Pays	Inc. Over 1981	Emp. Pays	Inc. Over 1981	Emp. Pays	Inc. Over 1981	Emp. Pays	Inc. Over 1981	Emp. Pays	Inc. Over 1981
20%	\$10.45	\$ 5.48	\$ 8.98	\$ 4.01	\$ 9.28	\$ 4.31	\$ 9.37	\$ 4.40	\$ 9.67	\$ 4.70
25%	\$ 9.69	\$ 4.72	\$ 8.22	\$ 3.25	\$ 8.52	\$ 3.55	\$ 8.61	\$ 3.64	\$ 8.91	\$ 3.94
30%	\$ 8.93	\$ 3.96	\$ 7.46	\$ 2.49	\$ 7.76	\$ 2.79	\$ 7.85	\$ 2.88	\$ 8.15	\$ 3.18

FAMILY (IN 1981 - EMPLOYEE PAID \$20.49)

INCREASE
GOVT. CONTRIB.

JULY PROPOSAL

REDUCED BY OPT. A-B-C

REDUCED BY OPT. A-B

REDUCED BY OPT. A-C

REDUCED BY OPT. A

	Emp. Pays	Inc. Over 1981	Emp. Pays	Inc. Over 1981	Emp. Pays	Inc. Over 1981	Emp. Pays	Inc. Over 1981	Emp. Pays	Inc. Over 1981
20%	\$30.90	\$10.41	\$26.94	\$ 6.45	\$27.69	\$ 7.20	\$27.95	\$ 7.46	\$28.70	\$ 8.21
25%	\$29.12	\$ 8.63	\$25.16	\$ 4.67	\$25.91	\$ 5.42	\$26.17	\$ 5.68	\$26.92	\$ 6.43
30%	\$27.34	\$ 6.85	\$23.38	\$ 2.89	\$24.13	\$ 3.64	\$24.39	\$ 3.90	\$25.14	\$ 4.18

*Option A - \$200.00 Deductible

Option B - 75% co-insurance

Option C - Non-hospital charges to Major Medical

Approved For Release 2003/05/27 : CIA-RDP86-00964R000100050001-1

CHART SIX

SAVINGS TO EMPLOYEES

COMPARED TO

JULY PROPOSAL

<u>OPTION</u>	<u>SELF</u>	<u>FAMILY</u>
A & B & C	\$1.47	\$ 3.96
A & B	\$1.17	\$ 3.21
A & C	\$1.08	\$ 2.95
A	\$.78	\$ 2.20

*Option A - \$200.00 Deductible

Option B - 75% co-insurance

Option C - Non-hospital charges to Major Medical

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.

Meeting of the Board of Directors

23 October 1981

(Special Meeting)

A Special meeting of the Government Employees Health Association, Inc., Board of Directors, was held on 23 October 1981 at 1:00 p.m. in Room 5E62 Headquarters. Those present were:

Directors

Mr. Charles Briggs, DCI Member



Member
NFAC Member
NFAC Member
Member

dent
President
Treasurer
Secretary
stant Secretary

SD

[redacted] opened the meeting by advising the Board Members that GEHA had been informed by OPM on 22 October of a new requirement for further 1982 benefit reductions in addition to those already mandated. Copies of the letter from OPM were distributed to the Board Members and it was explained that we must effect an additional 6.5% reduction from the last benefit proposal submitted on 2 October 1981. OPM was very explicit in stating the reduction proposal could not be any less than 6.5% and had to be submitted to OPM by 4:00 p.m. 23 October or the Plan faced cancellation from the FEHB Program.

25X1

[] explained that the 6.5% equated in dollar terms to an additional \$1.71 reduction for Self-only and \$4.40 reduction for Self and Family. He further explained that these additional cuts were the result of OPM seeking to limit the Government Increase in contributions to the FEHBP Program and he reviewed the procedure for determining the Government contribution. Discussion then ensued regarding OPM's legal authorities to do this and their overall handling of this situation.

25X1

[] explained that OPM is designated by law as the Administration of the FEHBP Program and in that capacity they were responsible for approving the benefit and rates proposals of the various plans.

25X1

[] then went on to explain the options available to the plan to meet OPM mandated 6.5% reduction in benefits, pointing out that the extremely short deadline imposed by OPM is unrealistic in terms of allowing for proper analysis and preparation of our proposal. He pointed out, however, that it is obvious the reductions will seriously erode the integrity of the Plan. The attached options were presented at this time.

Following discussion on each of these options, the board unanimously agreed that Option 1 should be submitted to OPM. [] then made a motion that a letter be sent for the Board of Directors to the Director, CIA outlining in strongest terms the Board's concern regarding OPM actions on this issue. This motion also passed unanimously.

25X1

25X1

[]

Secretary

~~CONFIDENTIAL~~

OPTION 1

- a. Change the Plan's co-insurance from 80% to 75% (net-to-carrier reduction of \$.16 for Self-only and \$.46 for Self and Family).
- b. Require all family members to meet the Plan's \$200 deductible (net-to-carrier reductions of \$.00 for Self-only and \$.21 for Self and Family).
- c. Change the Plan's in-patient surgery benefit to require a \$100.00 deductible before payment as a Basic Benefit (net-to-carrier reduction of \$.45 for Self-only and \$1.30 for Self and Family).
- d. Limit the Plan's mental and nervous out-patient benefits to 50 visits per calendar year and subject to 50% co-insurance (net-to-carrier reduction of \$.55 for Self-only and \$1.55 for Self and Family).
- e. Change the Plan's inpatient hospitalization benefit to require \$100.00 deductible to be applied per confinement per person before Basic Benefits become payable (net-to-carrier reduction of \$.42 for Self only and \$1.20 for Self and Family).

Option 1 would result in a total net-to-carrier reduction of \$1.58 for Self-only and \$4.72 for Self and Family. [] explained that this was under OPM's requirement for Self only by \$.13 and over for Self and Family by \$.32 with the aggregate being over by \$.19. He further explained that the underwriter felt this approach would be acceptable to OPM.

25X1

Option 2

- a. Require all family members to meet the Plan's \$200 deductible (net-to-carrier reduction of \$.00 for Self-only and \$.21 for Self and Family)
- b. Change the Plan's inpatient surgery benefit to allow payments at 80% via the current 100% (net-to-carrier reduction of \$.60 for Self-Only and \$1.69 for Self and Family).
- c. Limit the Plan's mental and nervous out-patient benefits to 50 visits per calendar year and subject to 50% co-insurance (net-to-carrier reduction of \$.55 for Self-only and \$1.55 for Self and Family).
- d. Change the Plan's inpatient hospitalization benefit to require \$100.00 deductible to be applied per confinement, per person, before Basic Benefits become payable (net-to-carrier reduction of \$.42 for Self-only and \$1.20 for Self and Family).

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CONFIDENTIAL

Option 2 continued

Option 2 would result in a total net-to-carrier reduction of \$1.57 for Self-only and \$4.65 for Self and Family with the aggregate total being \$.11 over OPM's 6.5% reduction requirements.

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CONFIDENTIAL

25X1

~~CONFIDENTIAL~~

24 November 1981 memorandum to the Board of Directors (copy attached) and his letter to Kevin Burns of OPM also dated 24 November 1981 (copy attached) the latter of which requested restoration of the benefit reductions resulting from OPM's 21 October 1981 letter.

25X1 [] advised that OPM informed him that the request had been referred to OPM's General Counsel for review and as yet no ruling had been made. 25X1 [] advised that he had also been in touch with OPM's office of General Counsel (Randolph Sims) who said Joe Morris (OPM General Counsel) had indicated that perhaps some accommodation could be made so that it would not be necessary for GEHA to join lawsuits as plaintiffs to get restoration of benefits. (OPM had earlier said GEHA would not have the benefit of an ongoing lawsuit unless a party to it.) [] then said that if OPM's response to his 24 November memorandum was negative and GEHA was told we had to sue to obtain the restoration, then he would strongly recommend that GEHA sue. He pointed out that there were two documented letters showing that our agreement to comply with OPM's directives was with the stipulation that everyone would be required to meet the 6.5% reduction. Further he stated GEHA should have a good case if a suit was necessary. 25X1

Discussion then ensued regarding problems concerning discovery that might be encountered in such a lawsuit. [] stated he felt there would not be very much discovery because of this type of litigation where there is usually not a full blown trial. If OPM wants to press for unpleasant discovery then the information could be put under seal making sure attorneys from the other suit are cleared. It was also generally agreed that if a lawsuit is pursued then the DCI should be advised prior to proposed action and kept informed throughout. 25X1

25X1 [] pointed out that if GEHA did decide to sue, it would probably be necessary to join one of the other lawsuits using their independent counsel or retain independent counsel for GEHA. The Office of General Counsel has two hats, one as advisor to GEHA, the other representing the Agency, and OCG would be constrained not to sue other government agencies. [] suggested that if we decide to sue, the Counsel representing Treasury's lawsuit perhaps should be contacted and we would thus be retaining a lawyer who is familiar with the issues and has experience in this type of action. 25X1 [] also stated that based on past experience he felt the Office of Security could decide on the clearance of the attorney selected within a couple of weeks. A motion was made seconded and passed unanimously that [] be authorized to join suit with Treasury Department, or file suit independently, against OPM regarding this insurance matter if a favorable response to [] 24 November letter has not been received from OPM by beginning of business Friday, 4 December 1981. 25X1

The meeting was adjourned at 3:24 p.m.

~~CONFIDENTIAL~~



United States
**Office of
Personnel Management**

Washington, D.C. 20415

In Reply Refer To:

Your Reference:

CN

OCT 21 1981

STATINTL

[Redacted] President
Government Employees Health
Association
P.O. Box 463
Washington, D.C. 20044

STATINTL

[Redacted]

Over the past two months we have shared with you the severe difficulties the Federal Employees Health Benefits Program is encountering in arriving at acceptable benefit and rate packages for 1982. Director Devine's preliminary analysis dated September 11, 1981, which I sent to you on September 18th detailed many of the problems, and reiterated that significant benefit reductions were necessary. It also now appears extremely unlikely that any immediate legislative solution will be forthcoming, as evidenced by discussion at the special joint Senate-House hearing on FEHB held October 19, 1981. Consequently, the only recourse is to take administrative action to obtain reductions in benefit levels if OPM is to stay within the budget levels set by law.

Since the deadline for contract renewal notice is approaching, immediate action is required both on the part of OPM and plans who wish to continue to participate in the program. The following instructions apply. We are asking each plan to reduce 1982 benefits and rates by at least 6.5 percent. The base from which you should calculate your 6.5 percent reduction is the acceptable equivalency benefit level for 1982 which you submitted in response to our August 21st request. OPM will accept only limited reductions in mental health care benefits and does not wish to accept coverage for abortions except where the life of the mother would be endangered if the fetus were carried to term.

Accordingly, your written offer of a 6.5 percent reduction in the 1982 benefits, including actuarial supporting data, must be received by OPM no later than 4:00 p.m., October 23, 1981. The failure of any plan to submit an acceptable offer on or before the deadline will be construed as an election by that plan not to participate in the FEHB Program in 1982 and termination notices will be issued forthwith.

Sincerely yours,

Kevin J. Burns
Assistant Director for
Insurance Programs

OFFICE OF THE
PRESIDENT

24 NOV 1981

Mr. Kevin I. Burns
 Assistant Director for
 Insurance Programs
 Office of Personnel Management
 P.O. Box 436
 Washington, D.C. 20044

Dear Mr. Burns:

It is our understanding that some plans of the FEHBP have been granted exemption by court order from the additional 6.5% reduction in 1982 benefits mandated by your October 21, 1981 letter. It is our further understanding that other plans have been granted this exemption by OPM decision. In view of this I strongly believe that the Association Benefit Plan should also be permitted to operate in 1982 without the benefits reductions last submitted to you to accomplish the additional 6.5% reduction.

I think the record will show that throughout the prolonged and trying negotiations we have demonstrated full cooperation and understanding of the issues and met your demands and deadlines in good faith. At the same time, we found it necessary ultimately to submit a proposal with the clear understanding that the mandates of OPM would be applied fairly and uniformly to all participating plans. It is within that spirit that we now request relief from the 6.5% requirement. I hope you will agree that to now release some plans from their obligations while requiring strict compliance by others demonstrates partiality and violation of proper contract negotiations. It was certainly our understanding that all plans would be treated alike, and that thought was made clear in our written proposals to you throughout the course of our negotiations. I refer you specifically to my letter dated October 23, 1981 which said:

"Please note that this compliance with the instructions in your letter of October 21, 1981 is based on our understanding that the 6.5% additional reductions called for in your letter will be universally enforced on all carriers. Therefore, this Association reserves the right to call for renegotiation of these additional reductions in the event the additional 6.5% reduction is not universally enforced."

Therefore, I would appreciate a written confirmation from you that the Association Benefit Plan will have restored for 1982 those benefits which we reduced as a result of your October 21, 1981 letter.

Sincerely,



STATINTL

Distribution:

Original - Addressee

1 - DD/Pers

1 - BSD

24 NOV 1981

MEMORANDUM FOR: GELIA Board of Directors

STATINTL FROM : [REDACTED]
President, GELIA

SUBJECT : Health Benefits Negotiations

1. We have called a Board meeting for 3:00 PM, 1 December 1981, to discuss with you the most recent events associated with the Federal Employees Health Benefits Program, the required reduction of benefits, postponing of the Open Season, and various court actions that are taking place regarding them. I thought it would be helpful, however, if I give you some information in advance of the meeting.

2. As a result of a suit by certain plans, the court has ruled that an Open Season will be held during the two weeks beginning 7 December 1981. The OPM is appealing this decision, and understandably so, since benefits are not yet final for most of the plans and no brochures have been printed. Also as a result of a suit or suits, the court has exempted some plans from the further 6.5% reduction of benefits which was the subject of our last Board meeting. (We understand that other plans have been granted this same exemption by OPM decision.) OPM is also appealing that court decision. In the face of this, I asked [REDACTED] OGC, to contact OPM's OGC to point out that our proposal for reduction in benefits was contingent on the reduction mandate being applied uniformly to all plans. Therefore, we should also be permitted to withdraw our last benefits reduction package. OPM's response to [REDACTED] was that we would get this relief only if we engaged in a court action similar to what other plans have done and are doing. Before we do that, however, we will need your decision. We have been advised that the Foreign Service Protective Association is contemplating this action on their plan's behalf.

3. As of this writing, the OPM has advised us to have ready "camera copy" to be able to print our brochure in one of two forms--with the added 6.5% reduction in benefits and without it. We are also advised that no date has yet been set for hearings on OPM's appeal of the court decision on the Open Season and on the benefits reductions. By the time of our 1 December meeting, we should be able to provide you with more up-to-date information on these matters and to give you our best advice as to a proper course of action. Should subsequent events require that we meet earlier than 1 December, I hope that this memorandum will have been of some help and you will be able to make yourselves available on shorter notice.

STATINTL